

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT 30 JUNE 2016
TOGETHER WITH LIMITED REVIEW REPORT**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

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

Introduction

We have reviewed the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") at 30 June 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, 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 legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 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.



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı at 30 June 2016 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and 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 VIII, 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.

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

Zeynep Uras, SMMM
Partner

Istanbul, 9 August 2016

| | Page: |
|---|--------|
| <u>SECTION ONE</u> | |
| General Information | |
| I. History of the Bank including its incorporation date, initial legal status, amendments to legal status | 1 |
| II. The Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on Bank's risk group | 1 |
| 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 | 2-3 |
| IV. Information on the Bank's qualified shareholders | 3 |
| V. Information about the services and nature of activities of the Bank | 3 |
| VI. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between Bank and its subsidiaries | 3 |
| <u>SECTION TWO</u> | |
| Unconsolidated Financial Statements | |
| I. Balance sheet – Assets | 5 |
| II. Balance sheet - Liabilities and equity | 6 |
| III. Off-balance sheet items | 7 |
| IV. Statement of income | 8 |
| V. Statement of profit and loss items accounted under shareholders' equity | 9 |
| VI. Statement of changes in equity | 10-11 |
| VII. Statement of cash flows | 12 |
| <u>SECTION THREE</u> | |
| Accounting Policies | |
| I. Basis of presentation | 13 |
| II. Strategy for the use of financial instruments and information on foreign currency transactions | 13-14 |
| III. Information on associates and subsidiaries | 14 |
| IV. Information on forwards, options and other derivative transactions | 15 |
| V. Information on interest income and expenses | 15 |
| VI. Information on fees and commissions | 15 |
| VII. Information on financial assets and footnotes | 15-16 |
| VIII. Information on impairment of financial assets | 17 |
| IX. Information on offsetting of financial instruments | 17 |
| X. Information on sales and repurchase agreements and securities lending | 17 |
| XI. Information on assets held for sale and discontinued operations and related liabilities | 18 |
| XII. Information on goodwill and other intangible assets | 18 |
| XIII. Information on tangible assets | 19 |
| XIV. Information on leasing activities | 20 |
| XV. Information on provisions, contingent liabilities and assets | 20 |
| XVI. Information on obligations of the Bank concerning employee rights | 21-22 |
| XVII. Information on taxation | 23-24 |
| XVIII. Information on cash and cash equivalents | 25 |
| XIX. Additional information on borrowings | 25 |
| XX. Information on issuance of equity securities | 25 |
| XXI. Information on confirmed bills of exchange and acceptances | 25 |
| XXII. Information on government incentives | 25 |
| XXIII. Information on segment reporting | 25 |
| XXIV. Other matters | 26 |
| <u>SECTION FOUR</u> | |
| Information Related To Financial Position and Risk Management | |
| I. Equity Items | 27-33 |
| II. Foreign currency exchange risk | 33-35 |
| III. Interest rate risk | 36-38 |
| IV. Stock position risk | 38-40 |
| V. Liquidity risk and liquidity coverage ratio | 40-44 |
| VI. Leverage ratio | 45 |
| VII. Segment reporting | 46-48 |
| VIII. Information on risk management | 49-53 |
| <u>SECTION FIVE</u> | |
| Disclosures and Footnotes on Unconsolidated Financial Statements | |
| I. Information and disclosures related to assets | 54-71 |
| II. Information and disclosures related to liabilities | 72-79 |
| III. Information and disclosures related to off-balance sheet items | 80-82 |
| IV. Information and disclosures related to the statement of income | 82-88 |
| V. Information and disclosures related to the Bank's risk group | 89-90 |
| <u>SECTION SIX</u> | |
| Other Disclosures | |
| I. Other disclosures on the Bank's activity | 91 |
| II. Information on the Bank's rating given by international credit rating institutions | 91 |
| III. Significant events and matters subsequent to balance sheet date that are not resulted | 92 |
| <u>SECTION SEVEN</u> | |
| Independent Auditors' Review Report | |
| I. Information on Limited Review Report | 92 |
| II. Explanations and footnotes prepared by independent auditor | 92 |
| <u>SECTION EIGHT</u> | |
| Information on Interim Activity Report | |
| I. Interim period activity report included chairman of the board of directors and CEO's assessments for the interim activities | 93-102 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

As at 30 June 2016 and 31 December 2015, 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 30 June 2016 is as stated below:

| Shareholders | Number of Shares – 100 unit | Nominal Value of the Shares – Thousands of TL | Share Percentage (%) |
|--|--|--|---------------------------------|
| Registered foundations represented by the General Directorate of the Foundations (Group A) | 1,075,058,640 | 1,075,058 | 43.00 |
| Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C) | 402,552,666 | 402,553 | 16.10 |
| Registered foundations represented by the General Directorate of the Foundations (Group B) | 386,224,785 | 386,225 | 15.45 |
| Other appendant foundations (Group B) | 3,080,407 | 3,081 | 0.12 |
| Other registered foundations (Group B) | 1,448,543 | 1,448 | 0.06 |
| Other real persons and legal entities (Group C) | 1,532,753 | 1,533 | 0.06 |
| Publicly traded (Group D) | 630,102,206 | 630,102 | 25.21 |
| Total | 2,500,000,000 | 2,500,000 | 100.00 |

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

(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> | | | | |
| Ramazan GÜNDÜZ | Chairman | 29 March 2013 | University | 38 years |
| Mehmet Emin ÖZCAN | Deputy Chairman | 29 March 2013 | University | 33 years |
| Halil AYDOĞAN | Member – General Manager | 29 March 2013 | University | 39 years |
| İsmail ALPTEKİN | Member | 6 April 2009 | University | 18 years |
| Dr.Adnan ERTEM | Member | 28 October 2010 | PHD | 28 years |
| Sabahattin BİRDAL | Member | 31 March 2014 | University | 39 years |
| Öztürk ORAN | Member | 30 April 2014 | University | 41 years |
| Dilek YÜKSEL | Member | 29 March 2016 | University | 4 years |
| <u>Audit Committee</u> | | | | |
| Mehmet Emin ÖZCAN | Member | 4 April 2014 | University | 33 years |
| Sabahattin BİRDAL | Member | 4 April 2014 | University | 39 years |
| <u>Auditor</u> | | | | |
| Yunus ARINCI | Auditor | 19 March 2010 | Master | 19 years |
| Mehmet Emin BAYSA | Auditor | 29 March 2016 | Master | 15 years |
| <u>Assistant Managers</u> | | | | |
| Metin Recep ZAFER | Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant | 13 June 2006 | PHD | 20 years |
| Hasan ECESOY | Treasury, International Relations and Investor Relations, Coordination of Foreign Branches | 18 June 2010 | PHD | 22 years |
| Serdar SATOĞLU | Private Banking, Associates | 2 July 2010 | PHD | 20 years |
| Ali Engin EROĞLU | Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate | 18 August 2010 | Master | 19 years |
| Osman DEMREN | Commercial and Corporate Loans, Consumer and SME Loans, Intelligence | 6 April 2011 | Master | 25 years |
| Muhammet Lütfü ÇELEBİ | Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking | 23 October 2013 | University | 20 years |
| Mustafa SAYDAM | Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations | 28 October 2013 | University | 22 years |
| Mehmet Emin KARAAĞAÇ | Loans and Follow-up, Legal Affairs | 8 November 2013 | University | 26 years |

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

(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)

At the resolution of the 62nd Ordinary Meeting of the General Assembly dated 29 March 2016, Şeref AKSAÇ who was a member of Board of Directors and Mehmet HALTAŞ who was a member of audit committee have left their position. Based on the decision taken at the same meeting Dilek YÜKSEL has been assigned to member of Board of Directors and Mehmet Emin BAYSA has been assigned to audit committee member.

İsmail Alptekin, member 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.

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

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

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

As at 30 June 2016, the Bank has 919 domestic, 3 foreign, in total 922 branches (31 December 2015: 917 domestic, 3 foreign, in total 920 branches). As at 30 June 2016, the Bank has 15,363 employees (31 December 2015: 15,410 employees).

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION TWO
**UNCONSOLIDATED INTERIM
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 30 JUNE 2016**

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

| ASSETS | Notes | Reviewed Current Period 30 June 2016 | | | Audited Prior Period 31 December 2015 | | |
|--|---------------|--|-------------------|--------------------|---|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | V-I-1 | 3,189,548 | 22,609,307 | 25,798,855 | 2,133,980 | 19,350,809 | 21,484,789 |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net) | V-I-2 | 815,096 | 168,390 | 983,486 | 739,339 | 146,128 | 885,467 |
| 2.1 Financial assets held for trading purpose | | 815,096 | 168,390 | 983,486 | 739,339 | 146,128 | 885,467 |
| 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 | 815,096 | 168,390 | 983,486 | 739,339 | 146,128 | 885,467 |
| 2.1.4 Other securities | | - | - | - | - | - | - |
| 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 | 32,025 | 4,331,573 | 4,363,598 | 370,201 | 4,864,065 | 5,234,266 |
| IV. RECEIVABLES FROM INTERBANK MONEY MARKETS | | - | - | - | - | - | - |
| 4.1 Interbank money market placements | | - | - | - | - | - | - |
| 4.2 Istanbul Stock Exchange money market placements | | - | - | - | - | - | - |
| 4.3 Receivables from reverse repurchase agreements | | - | - | - | - | - | - |
| V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net) | V-I-4 | 12,425,417 | 4,858,518 | 17,283,935 | 12,100,346 | 4,673,623 | 16,773,969 |
| 5.1 Equity securities | | 15 | 22,412 | 22,427 | 15 | 79,238 | 79,253 |
| 5.2 Debt securities issued by the governments | | 12,425,402 | 4,836,106 | 17,261,508 | 12,100,331 | 4,594,385 | 16,694,716 |
| 5.3 Other securities | | - | - | - | - | - | - |
| VI. LOANS AND RECEIVABLES | V-I-5 | 93,232,909 | 37,046,787 | 130,279,696 | 88,430,947 | 35,349,706 | 123,780,653 |
| 6.1 Performing loans and receivables | | 92,253,149 | 37,046,787 | 129,299,936 | 87,624,772 | 35,349,706 | 122,974,478 |
| 6.1.1 Loans provided to risk group | V-VII-1 | 49,649 | 110,486 | 160,135 | 86,394 | 60,304 | 146,698 |
| 6.1.2 Debt securities issued by the governments | | - | - | - | - | - | - |
| 6.1.3 Other | | 92,203,500 | 36,936,301 | 129,139,801 | 87,538,378 | 35,289,402 | 122,827,780 |
| 6.2 Loans under follow-up | | 5,470,018 | - | 5,470,018 | 4,850,213 | - | 4,850,213 |
| 6.3 Specific provisions (-) | | 4,490,258 | - | 4,490,258 | 4,044,038 | - | 4,044,038 |
| VII. FACTORING RECEIVABLES | | - | - | - | - | - | - |
| VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net) | V-I-6 | 7,587,748 | 158,447 | 7,746,195 | 7,546,748 | 130,981 | 7,677,729 |
| 8.1 Debt securities issued by the governments | | 7,587,748 | - | 7,587,748 | 7,546,748 | - | 7,546,748 |
| 8.2 Other securities | | - | 158,447 | 158,447 | - | 130,981 | 130,981 |
| IX. INVESTMENTS IN ASSOCIATES (Net) | V-I-7 | 284,537 | - | 284,537 | 270,290 | - | 270,290 |
| 9.1 Associates, consolidated per equity method | | - | - | - | - | - | - |
| 9.2 Unconsolidated associates | | 284,537 | - | 284,537 | 270,290 | - | 270,290 |
| 9.2.1 Financial associates | | 273,137 | - | 273,137 | 258,890 | - | 258,890 |
| 9.2.2 Non-Financial associates | | 11,400 | - | 11,400 | 11,400 | - | 11,400 |
| X. INVESTMENTS IN SUBSIDIARIES (Net) | V-I-8 | 1,164,525 | 416,223 | 1,580,748 | 1,170,175 | 434,144 | 1,604,319 |
| 10.1 Unconsolidated financial subsidiaries | | 910,756 | 416,223 | 1,326,979 | 916,026 | 434,144 | 1,350,170 |
| 10.2 Unconsolidated non-financial subsidiaries | | 253,769 | - | 253,769 | 254,149 | - | 254,149 |
| XI. INVESTMENTS IN JOINT-VENTURES (Net) | V-I-9 | - | - | - | - | - | - |
| 11.1 Joint-ventures, consolidated per equity method | | - | - | - | - | - | - |
| 11.2 Unconsolidated joint-ventures | | - | - | - | - | - | - |
| 11.2.1 Financial joint-ventures | | - | - | - | - | - | - |
| 11.2.2 Non-Financial joint-ventures | | - | - | - | - | - | - |
| XII. LEASE RECEIVABLES | V-I-10 | - | - | - | - | - | - |
| 12.1 Finance lease receivables | | - | - | - | - | - | - |
| 12.2 Operational lease receivables | | - | - | - | - | - | - |
| 12.3 Other | | - | - | - | - | - | - |
| 12.4 Unearned income (-) | | - | - | - | - | - | - |
| XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE | V-I-11 | - | - | - | - | - | - |
| 13.1 Fair value hedges | | - | - | - | - | - | - |
| 13.2 Cash flow hedges | | - | - | - | - | - | - |
| 13.3 Hedges of net investment in foreign operations | | - | - | - | - | - | - |
| XIV. TANGIBLE ASSETS (Net) | | 1,396,898 | 6,612 | 1,403,510 | 1,378,858 | 4,292 | 1,383,150 |
| XV. INTANGIBLE ASSETS (Net) | | 186,363 | - | 186,363 | 171,277 | - | 171,277 |
| 15.1 Goodwill | | - | - | - | - | - | - |
| 15.2 Other intangibles | | 186,363 | - | 186,363 | 171,277 | - | 171,277 |
| XVI. INVESTMENT PROPERTIES (Net) | V-I-12 | - | - | - | - | - | - |
| XVII. TAX ASSETS | | 77,311 | - | 77,311 | 15,421 | - | 15,421 |
| 17.1 Current tax assets | | - | - | - | - | - | - |
| 17.2 Deferred tax assets | V-I-13 | 77,311 | - | 77,311 | 15,421 | - | 15,421 |
| XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net) | V-I-14 | 1,081,559 | - | 1,081,559 | 994,964 | - | 994,964 |
| 18.1 Assets held for sale | | 1,081,559 | - | 1,081,559 | 994,964 | - | 994,964 |
| 18.2 Assets related to the discontinued operations | | - | - | - | - | - | - |
| XIX. OTHER ASSETS | V-I-15 | 1,701,622 | 869,028 | 2,570,650 | 1,638,950 | 1,031,880 | 2,670,830 |
| TOTAL ASSETS | | 123,175,558 | 70,464,885 | 193,640,443 | 116,961,496 | 65,985,628 | 182,947,124 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT 30 JUNE 2016**

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

| | | | Reviewed Current Period 30 June 2016 | | | Audited Prior Period 31 December 2015 | | |
|-------------------------------------|--|----------------|--|-------------------|--------------------|---|-------------------|--------------------|
| LIABILITIES AND EQUITY | | Notes | TL | FC | Total | TL | FC | Total |
| I. | DEPOSITS | V-II-1 | 80,806,311 | 33,327,306 | 114,133,617 | 76,470,518 | 33,452,016 | 109,922,534 |
| 1.1 | Deposits of the risk group | V-VII-1 | 2,234,675 | 274,592 | 2,509,267 | 1,625,019 | 185,477 | 1,810,496 |
| 1.2 | Other deposits | | 78,571,636 | 33,052,714 | 111,624,350 | 74,845,499 | 33,266,539 | 108,112,038 |
| II. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE | V-II-2 | 246,623 | 485,355 | 731,978 | 139,504 | 150,085 | 289,589 |
| III. | FUNDS BORROWED | V-II-3 | 709,904 | 17,709,815 | 18,419,719 | 332,783 | 18,223,214 | 18,555,997 |
| IV. | INTERBANK MONEY MARKET | | 13,900,496 | 1,860,413 | 15,760,909 | 9,340,604 | 3,403,437 | 12,744,041 |
| 4.1 | Interbank money market takings | | 1,300,325 | - | 1,300,325 | 1,150,343 | - | 1,150,343 |
| 4.2 | Istanbul Stock Exchange money market takings | | - | - | - | - | - | - |
| 4.3 | Obligations under repurchase agreements | | 12,600,171 | 1,860,413 | 14,460,584 | 8,190,261 | 3,403,437 | 11,593,698 |
| V. | SECURITIES ISSUED (Net) | V-II-3 | 2,955,457 | 8,886,169 | 11,841,626 | 3,128,044 | 7,419,715 | 10,547,759 |
| 5.1 | Bills | | 2,955,457 | - | 2,955,457 | 3,128,044 | - | 3,128,044 |
| 5.2 | Asset backed securities | | - | - | - | - | - | - |
| 5.3 | Bonds | | - | 8,886,169 | 8,886,169 | - | 7,419,715 | 7,419,715 |
| VI. | FUNDS | | 3,729 | - | 3,729 | 4,228 | - | 4,228 |
| 6.1 | Funds against borrower's note | | - | - | - | - | - | - |
| 6.2 | Other | | 3,729 | - | 3,729 | 4,228 | - | 4,228 |
| VII. | MISCELLANEOUS PAYABLES | | 3,992,020 | 448,041 | 4,440,061 | 3,539,365 | 620,852 | 4,160,217 |
| VIII. | OTHER EXTERNAL RESOURCES PAYABLE | V-II-4 | 846,464 | 1,692,643 | 2,539,107 | 601,292 | 1,770,238 | 2,371,530 |
| IX. | FACTORING PAYABLES | | - | - | - | - | - | - |
| X. | LEASE PAYABLES | V-II-5 | - | - | - | - | - | - |
| 10.1 | Finance lease payables | | - | - | - | - | - | - |
| 10.2 | Operational lease payables | | - | - | - | - | - | - |
| 10.3 | Other | | - | - | - | - | - | - |
| 10.4 | Deferred finance leasing expenses (-) | | - | - | - | - | - | - |
| XI. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE | V-II-6 | - | - | - | - | - | - |
| 11.1 | Fair value hedges | | - | - | - | - | - | - |
| 11.2 | Cash flow hedges | | - | - | - | - | - | - |
| 11.3 | Hedges of net investment in foreign operations | | - | - | - | - | - | - |
| XII. | PROVISIONS | V-II-7 | 3,002,958 | 15,649 | 3,018,607 | 2,906,753 | 17,019 | 2,923,772 |
| 12.1 | General provisions | V-II-7 | 2,074,293 | 12,091 | 2,086,384 | 1,944,150 | 13,453 | 1,957,603 |
| 12.2 | Restructuring reserves | | - | - | - | - | - | - |
| 12.3 | Reserve for employee benefits | | 628,080 | - | 628,080 | 674,894 | - | 674,894 |
| 12.4 | Insurance technical provisions (Net) | | - | - | - | - | - | - |
| 12.5 | Other provisions | V-II-7 | 300,585 | 3,558 | 304,143 | 287,709 | 3,566 | 291,275 |
| XIII. | TAX LIABILITIES | V-II-8 | 597,722 | 1,596 | 599,318 | 488,757 | 1,678 | 490,435 |
| 13.1 | Current tax liabilities | | 597,722 | 1,596 | 599,318 | 488,757 | 1,678 | 490,435 |
| 13.2 | Deferred tax liabilities | V-I-15 | - | - | - | - | - | - |
| XIV. | PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS | V-II-9 | - | - | - | - | - | - |
| 14.1 | Payables related to the assets held for sale | | - | - | - | - | - | - |
| 14.2 | Payables related to the discontinued operations | | - | - | - | - | - | - |
| XV. | SUBORDINATED LOANS | V-II-10 | - | 4,123,828 | 4,123,828 | - | 4,169,474 | 4,169,474 |
| XVI. | EQUITY | | 17,588,642 | 439,302 | 18,027,944 | 16,336,411 | 431,137 | 16,767,548 |
| 16.1 | Paid-in capital | V-II-11 | 2,500,000 | - | 2,500,000 | 2,500,000 | - | 2,500,000 |
| 16.2 | Capital reserves | | 2,222,175 | 439,302 | 2,661,477 | 1,972,304 | 431,137 | 2,403,441 |
| 16.2.1 | Share premium | | 723,918 | - | 723,918 | 723,918 | - | 723,918 |
| 16.2.2 | Share cancellation profits | | - | - | - | - | - | - |
| 16.2.3 | Valuation differences of the marketable securities | V-II-11 | 647,722 | 439,302 | 1,087,024 | 399,276 | 431,137 | 830,413 |
| 16.2.4 | Revaluation surplus on tangible assets | | 831,574 | - | 831,574 | 830,149 | - | 830,149 |
| 16.2.5 | Revaluation surplus on intangible assets | | - | - | - | - | - | - |
| 16.2.6 | Revaluation surplus on investment properties | | - | - | - | - | - | - |
| 16.2.7 | Bonus shares of associates, subsidiaries and joint-ventures | | 69,222 | - | 69,222 | 69,222 | - | 69,222 |
| 16.2.8 | Hedging reserves (effective portion) | | - | - | - | - | - | - |
| 16.2.9 | Revaluation surplus on assets held for sale and assets related to the discontinued operations | | - | - | - | - | - | - |
| 16.2.10 | Other capital reserves | | (50,261) | - | (50,261) | (50,261) | - | (50,261) |
| 16.3 | Profit reserves | | 11,762,447 | - | 11,762,447 | 9,933,998 | - | 9,933,998 |
| 16.3.1 | Legal reserves | | 1,367,022 | - | 1,367,022 | 1,174,010 | - | 1,174,010 |
| 16.3.2 | Status reserves | | - | - | - | - | - | - |
| 16.3.3 | Extraordinary reserves | | 9,964,966 | - | 9,964,966 | 8,329,529 | - | 8,329,529 |
| 16.3.4 | Other profit reserves | | 430,459 | - | 430,459 | 430,459 | - | 430,459 |
| 16.4 | Profit or loss | | 1,104,020 | - | 1,104,020 | 1,930,109 | - | 1,930,109 |
| 16.4.1 | Prior years' profit/loss | | 433 | - | 433 | - | - | - |
| 16.4.2 | Current period's profit/loss | | 1,103,587 | - | 1,103,587 | 1,930,109 | - | 1,930,109 |
| TOTAL LIABILITIES AND EQUITY | | | 124,650,326 | 68,990,117 | 193,640,443 | 113,288,259 | 69,658,865 | 182,947,124 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED OFF-BALANCE SHEET ITEMS
AS AT 30 JUNE 2016**

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

| | Notes | Reviewed Current Period 30 June 2016 | | | Audited Prior Period 31 December 2015 | | |
|--|------------------|--|--------------------|----------------------|---|--------------------|----------------------|
| | | TL | FC | Total | TL | FC | Total |
| A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES | | | | | | | |
| I. (I+II+III) GUARANTEES AND SURETIES | V-III-2-4 | 70,783,501 | 71,666,202 | 142,449,703 | 54,047,046 | 63,505,765 | 117,552,811 |
| 1.1 Letters of guarantee | | 23,178,954 | 4,487,832 | 27,666,786 | 21,980,769 | 4,810,034 | 26,790,803 |
| 1.1.1 Guarantees subject to State Tender Law | | 2,675,019 | 2,190,067 | 4,865,086 | 2,542,809 | 2,199,589 | 4,742,398 |
| 1.1.2 Guarantees given for foreign trade operations | | 1,068,118 | - | 1,068,118 | 1,030,530 | - | 1,030,530 |
| 1.1.3 Other letters of guarantee | | 19,435,817 | 2,297,765 | 21,733,582 | 18,407,430 | 2,610,445 | 21,017,875 |
| 1.2 Bank acceptances | | 79,693 | 676,674 | 756,367 | 86,762 | 1,389,251 | 1,476,013 |
| 1.2.1 Import letter of acceptance | | - | 204,753 | 204,753 | 1,590 | 189,471 | 191,061 |
| 1.2.2 Other bank acceptances | | 79,693 | 471,921 | 551,614 | 85,172 | 1,199,780 | 1,284,952 |
| 1.3 Letters of credit | | 2,639 | 5,151,596 | 5,154,235 | 16,306 | 4,772,403 | 4,788,709 |
| 1.3.1 Documentary letters of credit | | 2,639 | 5,151,596 | 5,154,235 | 16,306 | 4,772,403 | 4,788,709 |
| 1.3.2 Other letters of credit | | - | - | - | - | - | - |
| 1.4 Guaranteed pre-financings | | - | 2,291 | 2,291 | - | 2,314 | 2,314 |
| 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 | | - | 8,077 | 8,077 | - | 10,522 | 10,522 |
| 1.9 Other sureties | | - | 8,155 | 8,155 | - | - | - |
| II. COMMITMENTS | | 25,451,831 | 12,966,916 | 38,418,747 | 21,439,019 | 13,120,948 | 34,559,967 |
| 2.1 Irrevocable commitments | | 22,744,722 | 4,375,859 | 27,120,581 | 19,031,959 | 3,730,953 | 22,762,912 |
| 2.1.1 Asset purchase commitments | V-III-1 | 2,246,683 | 4,375,859 | 6,622,542 | 112,420 | 3,730,953 | 3,843,373 |
| 2.1.2 Deposit purchase and sales commitments | | - | - | - | - | - | - |
| 2.1.3 Share capital commitments to associates and subsidiaries | V-III-1 | - | - | - | - | - | - |
| 2.1.4 Loan granting commitments | V-III-1 | 8,965,301 | - | 8,965,301 | 8,482,816 | - | 8,482,816 |
| 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 | 2,005,128 | - | 2,005,128 | 1,805,569 | - | 1,805,569 |
| 2.1.8 Tax and fund obligations on export commitments | | - | - | - | - | - | - |
| 2.1.9 Commitments for credit card limits | V-III-1 | 8,158,027 | - | 8,158,027 | 7,399,361 | - | 7,399,361 |
| 2.1.10 Commitments for credit card and banking operations promotions | | 267,056 | - | 267,056 | 196,037 | - | 196,037 |
| 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 | | 1,102,527 | - | 1,102,527 | 1,035,756 | - | 1,035,756 |
| 2.2 Revocable commitments | | 2,707,109 | 8,591,057 | 11,298,166 | 2,407,060 | 9,389,995 | 11,797,055 |
| 2.2.1 Revocable loan granting commitments | | 2,707,109 | 8,591,057 | 11,298,166 | 2,407,060 | 9,389,995 | 11,797,055 |
| 2.2.2 Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | | 22,070,384 | 48,364,661 | 70,435,045 | 10,524,190 | 39,400,293 | 49,924,483 |
| 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 | | 22,070,384 | 48,364,661 | 70,435,045 | 10,524,190 | 39,400,293 | 49,924,483 |
| 3.2.1 Forward foreign currency purchases/sales | | 343,270 | 327,326 | 670,596 | 211,514 | 257,246 | 468,760 |
| 3.2.1.1 Forward foreign currency purchases | | 171,927 | 163,720 | 335,647 | 106,014 | 128,693 | 234,707 |
| 3.2.2.2 Forward foreign currency sales | | 171,343 | 163,606 | 334,949 | 105,500 | 128,553 | 234,053 |
| 3.2.2 Currency and interest rate swaps | | 20,180,851 | 38,739,502 | 58,920,353 | 9,442,940 | 30,544,698 | 39,987,638 |
| 3.2.2.1 Currency swaps-purchases | | 12,836,768 | 13,252,038 | 26,088,806 | 4,382,013 | 12,050,672 | 16,432,685 |
| 3.2.2.2 Currency swaps-sales | | 6,344,083 | 13,813,190 | 20,157,273 | 4,160,927 | 6,080,268 | 10,241,195 |
| 3.2.2.3 Interest rate swaps-purchases | | 500,000 | 5,837,137 | 6,337,137 | 450,000 | 6,206,879 | 6,656,879 |
| 3.2.2.4 Interest rate swaps-sales | | 500,000 | 5,837,137 | 6,337,137 | 450,000 | 6,206,879 | 6,656,879 |
| 3.2.3 Currency, interest rate and security options | | 286,734 | 333,896 | 620,630 | 258,134 | 255,396 | 513,530 |
| 3.2.3.1 Currency call options | | 100,158 | 204,476 | 304,634 | 65,004 | 185,976 | 250,980 |
| 3.2.3.2 Currency put options | | 186,576 | 129,420 | 315,996 | 193,130 | 69,420 | 262,550 |
| 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 | | 1,259,529 | 8,963,937 | 10,223,466 | 611,602 | 8,342,953 | 8,954,555 |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 984,979,294 | 434,981,155 | 1,419,960,449 | 899,689,613 | 421,931,972 | 1,321,621,585 |
| IV. ITEMS HELD IN CUSTODY | | 80,802,608 | 3,289,105 | 84,091,713 | 74,007,877 | 3,193,339 | 77,201,216 |
| 4.1 Customers' securities held | | - | - | - | - | 28,306 | 28,306 |
| 4.2 Investment securities held in custody | | 69,414,356 | 123,344 | 69,537,700 | 63,189,794 | 118,086 | 63,307,880 |
| 4.3 Checks received for collection | | 9,366,532 | 2,213,585 | 11,580,117 | 8,967,543 | 2,282,378 | 11,249,921 |
| 4.4 Commercial notes received for collection | | 1,020,508 | 350,236 | 1,370,744 | 1,065,285 | 310,417 | 1,375,702 |
| 4.5 Other assets received for collection | | 2,152 | 115 | 2,267 | 2,152 | 116 | 2,268 |
| 4.6 Assets received through public offering | | - | - | - | - | - | - |
| 4.7 Other items under custody | | 309 | 40,746 | 41,055 | 309 | 48,883 | 49,192 |
| 4.8 Custodians | | 998,751 | 561,079 | 1,559,830 | 782,794 | 405,153 | 1,187,947 |
| V. PLEDGED ITEMS | | 256,659,414 | 81,565,738 | 338,225,152 | 235,391,497 | 82,272,386 | 317,663,883 |
| 5.1 Securities | | 420,775 | 13,374 | 434,149 | 435,193 | 14,171 | 449,364 |
| 5.2 Guarantee notes | | 769,884 | 458,236 | 1,228,120 | 792,339 | 429,076 | 1,221,415 |
| 5.3 Commodities | | 30,202,552 | 666,251 | 30,868,803 | 28,164,121 | 681,732 | 28,845,853 |
| 5.4 Warranties | | - | - | - | - | - | - |
| 5.5 Real estates | | 210,618,302 | 67,159,206 | 277,777,508 | 191,738,765 | 67,309,165 | 259,047,930 |
| 5.6 Other pledged items | | 14,103,688 | 13,121,514 | 27,225,202 | 13,657,901 | 13,683,601 | 27,341,502 |
| 5.7 Pledged items-depository | | 544,213 | 147,157 | 691,370 | 603,178 | 154,641 | 757,819 |
| VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES | | 647,517,272 | 350,126,312 | 997,643,584 | 590,290,239 | 336,466,247 | 926,756,486 |
| TOTAL OFF-BALANCE SHEET ITEMS (A+B) | | 1,055,762,795 | 506,647,357 | 1,562,410,152 | 953,736,659 | 485,437,737 | 1,439,174,396 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

| | Notes | Reveiwed Current Period 1 January 2016- 30 June 2016 | Reveiwed Prior Period 1 January 2015- 30 June 2015 | Reveiwed Current Period 1 April 2016- 30 June 2016 | Reveiwed Prior Period 1 April 2015- 30 June 2015 |
|--|--------|---|---|---|---|
| I. INTEREST INCOME | | 7,837,113 | 6,448,647 | 3,920,936 | 3,419,479 |
| 1.1 Interest income from loans | V-IV-1 | 6,672,471 | 5,383,845 | 3,425,824 | 2,782,849 |
| 1.2 Interest income from reserve deposits | | 54,942 | 8,144 | 26,349 | 5,958 |
| 1.3 Interest income from banks | V-IV-1 | 12,574 | 4,324 | 7,046 | 2,786 |
| 1.4 Interest income from money market transactions | | - | - | - | - |
| 1.5 Interest income from securities portfolio | V-IV-1 | 1,095,472 | 1,051,193 | 461,449 | 627,716 |
| 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 | | 753,055 | 713,484 | 330,011 | 408,698 |
| 1.5.4 Held-to-maturity investments | | 342,417 | 337,709 | 131,438 | 219,018 |
| 1.6 Finance lease income | | - | - | - | - |
| 1.7 Other interest income | | 1,654 | 1,141 | 268 | 170 |
| II. INTEREST EXPENSE | | 4,738,921 | 3,775,871 | 2,373,721 | 1,986,866 |
| 2.1 Interest expense on deposits | V-IV-2 | 3,623,801 | 2,823,739 | 1,809,275 | 1,475,976 |
| 2.2 Interest expense on funds borrowed | V-IV-2 | 159,277 | 126,501 | 85,105 | 59,339 |
| 2.3 Interest expense on money market transactions | | 484,489 | 417,217 | 248,816 | 242,300 |
| 2.4 Interest expense on securities issued | V-IV-2 | 313,006 | 278,594 | 158,661 | 143,624 |
| 2.5 Other interest expenses | | 158,348 | 129,820 | 71,864 | 65,627 |
| III. NET INTEREST INCOME (I – II) | | 3,098,192 | 2,672,776 | 1,547,215 | 1,432,613 |
| IV. NET FEES AND COMMISSIONS INCOME | | 455,760 | 449,425 | 228,729 | 220,746 |
| 4.1 Fees and commissions received | | 723,135 | 681,596 | 373,398 | 347,911 |
| 4.1.1 Non-cash loans | | 109,393 | 88,034 | 56,418 | 45,250 |
| 4.1.2 Others | | 613,742 | 593,562 | 316,980 | 302,661 |
| 4.2 Fees and commissions paid | | 267,375 | 232,171 | 144,669 | 127,165 |
| 4.2.1 Non-cash loans | | 19 | 67 | 10 | 32 |
| 4.2.2 Others | | 267,356 | 232,104 | 144,659 | 127,133 |
| V. DIVIDEND INCOME | | 82,722 | 62,130 | 44,465 | - |
| VI. TRADING INCOME/LOSSES (Net) | | 72,819 | 93,186 | 53,674 | 33,808 |
| 6.1 Trading account income/losses | V-IV-3 | 40,482 | 55,993 | 31,115 | 4,972 |
| 6.2 Income/losses from derivative financial instruments | V-IV-3 | (25,116) | 6,542 | (8,182) | 13,683 |
| 6.3 Foreign exchange gains/losses | V-IV-3 | 57,453 | 30,651 | 30,741 | 15,153 |
| VII. OTHER OPERATING INCOME | | 577,672 | 543,870 | 332,269 | 264,613 |
| VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII) | | 4,287,165 | 3,821,387 | 2,206,352 | 1,951,780 |
| IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-) | V-IV-5 | 990,029 | 990,071 | 480,882 | 540,677 |
| X. OTHER OPERATING EXPENSES (-) | V-IV-6 | 1,906,326 | 1,760,617 | 974,270 | 905,305 |
| XI. NET OPERATING PROFIT/LOSS (VIII-IX-X) | | 1,390,810 | 1,070,699 | 751,200 | 505,798 |
| XII. INCOME RESULTED FROM MERGERS | | - | - | - | - |
| XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | - | - | - | - |
| XIV. GAIN/LOSS ON NET MONETARY POSITION | | - | - | - | - |
| XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV) | | 1,390,810 | 1,070,699 | 751,200 | 505,798 |
| XVI. CONTINUING OPERATIONS PROVISION FOR TAXES | V-IV-7 | (287,223) | (249,762) | (164,276) | (119,488) |
| 16.1 Current tax charges | | (423,471) | (121,820) | (320,823) | (49,019) |
| 16.2 Deferred tax credits | | 136,248 | (127,942) | 156,547 | (70,469) |
| XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI) | V-IV-8 | 1,103,587 | 820,937 | 586,924 | 386,310 |
| XVIII. INCOME FROM DISCONTINUED OPERATIONS | | - | - | - | - |
| 18.1 Income from investment properties | | - | - | - | - |
| 18.2 Income from sales of subsidiaries, affiliates and joint-ventures | | - | - | - | - |
| 18.3 Other income from discontinued activities | | - | - | - | - |
| XIX. EXPENSES FROM DISCONTINUED OPERATIONS | | - | - | - | - |
| 19.1 Investment property expenses | | - | - | - | - |
| 19.2 Losses from sales of subsidiaries, affiliates and joint ventures | | - | - | - | - |
| 19.3 Other expenses from discontinued activities | | - | - | - | - |
| XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES | | - | - | - | - |
| XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES | | - | - | - | - |
| 21.1 Current tax charge | | - | - | - | - |
| 21.2 Deferred tax charge | | - | - | - | - |
| XXII. NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS | | - | - | - | - |
| XXIII. NET PROFIT/LOSS (XVII+XXII) | V-IV-8 | 1,103,587 | 820,937 | 586,924 | 386,310 |
| Profit/Loss per 100 shares (full TL) | | 0.4414 | 0.3284 | 0.2348 | 0.1545 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

| GAINS AND LOSSES RECOGNIZED IN EQUITY | | Reveiwed Current Period 1 January 2016- 30 June 2016 | Reveiwed Prior Period 1 January 2015- 30 June 2015 | Reveiwed Current Period 1 April 2016- 30 June 2016 | Reveiwed Prior Period 1 April 2015- 30 June 2015 |
|--|--|---|---|---|---|
| I. | VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES | 385,795 | (481,360) | 157,487 | (315,941) |
| II. | REVALUATION SURPLUS ON TANGIBLE ASSETS | (247) | - | - | - |
| 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 | (54,381) | (58,007) | (59,015) | (420) |
| IX. | DEFERRED TAXES DUE TO VALUATION DIFFERENCES | (74,358) | 97,877 | (28,201) | 62,394 |
| X. | NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX) | 256,809 | (441,490) | 70,271 | (253,967) |
| XI. | CURRENT PERIOD'S PROFIT/(LOSS) | 1,103,587 | 820,937 | 586,924 | 386,310 |
| 11.1 | Change in fair value of securities (transfers to the statement of income) | 31,058 | 50,240 | 25,796 | 2,376 |
| 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 | 1,072,529 | 770,697 | 561,128 | 383,934 |
| XII. | TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI) | 1,360,396 | 379,447 | 657,195 | 132,343 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

| REVIEWED | Notes | Paid-in Capital | Capital Reserves from Inflation Adjustm ents to Paid-in Capital | Share Premium | Share Cancell ation Profits | Legal Reserves | Status Reserve ss | Extraordina ry Reserves | Other Reserves | Current Period Net Profit/ (Loss) | Prior Period Net Profit/ (Loss) | Valuation Differences of the Marketable Securities | Revaluation Surplus on Tangible, Intangible Assets and Investment Property | Bonus Shares of Associates, Subsidiaries and Joint Ventures | Hedging Reserves | Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s | Shareholders' Equity before Minority Interest | Minority Interest | Total Shareholders' Equity |
|--|---|--------------------|--|------------------|--------------------------------------|-------------------|-------------------------|----------------------------|-------------------|--|---------------------------------------|--|--|--|---------------------|---|--|----------------------|----------------------------------|
| PRIOR PERIOD – 30 June 2015 | | | | | | | | | | | | | | | | | | | |
| I. | Balances at the beginning of the period | 2,500,000 | - | 723,918 | - | 1,012,796 | - | 7,214,708 | 235,227 | - | 1,753,273 | 1,216,969 | 45,637 | 69,222 | - | - | 14,771,750 | - | 14,771,750 |
| II. | Corrections made according to TAS 8 | | | | | | | | | | | | | | | | | | |
| 2.1. | The effect of corrections of error | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. | The effect of changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Adjusted beginning balance (I+II) | 2,500,000 | - | 723,918 | - | 1,012,796 | - | 7,214,708 | 235,227 | - | 1,753,273 | 1,216,969 | 45,637 | 69,222 | - | - | 14,771,750 | - | 14,771,750 |
| Changes during the period | | | | | | | | | | | | | | | | | | | |
| IV. | Mergers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Associates, Subsidiaries and "Available-for-sale" securities | - | - | - | - | - | - | - | - | - | - | (441,490) | - | - | - | - | (441,490) | - | (441,490) |
| VI. | Hedges for risk management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6.1 | Net cash flow hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6.2 | Net foreign investment hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Revaluation surplus on tangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. | Revaluation surplus on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. | Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. | Translation differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. | Changes resulted from disposal of assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XII. | Changes resulted from reclassifications of the assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIII. | Effect of change in equities of associates on the Bank's equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIV. | Capital increase | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14.1 | Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14.2 | Internal sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XV. | Share issuance | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVI. | Share cancellation profits | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVII. | Capital reserves from inflation adjustments to paid-in capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XVIII. | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XIX. | Current period's net profit/loss | - | - | - | - | - | - | - | - | 820,937 | - | - | - | - | - | - | 820,937 | - | 820,937 |
| XX. | Profit distribution | - | - | - | - | 161,214 | - | 1,114,821 | 141,116 | - | (1,753,273) | - | 236,122 | - | - | - | (100,000) | - | (100,000) |
| 20.1 | Dividends | - | - | - | - | - | - | - | - | - | (100,000) | - | - | - | - | - | (100,000) | - | (100,000) |
| 20.2 | Transferred to reserves | - | - | - | - | 161,214 | - | 1,114,821 | 141,116 | - | (1,653,273) | - | 236,122 | - | - | - | - | - | - |
| 20.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the period | | 2,500,000 | - | 723,918 | - | 1,174,010 | - | 8,329,529 | 376,343 | 820,937 | - | 775,479 | 281,759 | 69,222 | - | - | 15,051,197 | - | 15,051,197 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

| REVIEWED | Notes | Paid-in Capital | Capital Reserves from Inflation Adjustment s to Paid-in Capital | Share Premium | Share Cancellation Profits | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Profit/ (Loss) | Prior Period Net Profit/ (Loss) | Valuation Differences of the Marketable Securities | Revaluation Surplus on Tangible, Intangible Assets and Investment Property | Bonus Shares of Associates, Subsidiaries and Joint Ventures | Hedging Reserves | Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s | Shareholders' Equity before Minority Interest | Minority Interest | Total Shareholders' Equity |
|--|--|--------------------|---|------------------|----------------------------------|-------------------|--------------------|---------------------------|-------------------|---|--|--|--|--|---------------------|---|--|----------------------|----------------------------------|
| CURRENT PERIOD- | | | | | | | | | | | | | | | | | | | |
| 30 June 2016 | | | | | | | | | | | | | | | | | | | |
| I. | Balances at the beginning of the period | 2,500,000 | - | 723,918 | - | 1,174,010 | - | 8,329,529 | 380,198 | - | 1,930,109 | 830,413 | 830,149 | 69,222 | - | - | 16,767,548 | - | 16,767,548 |
| | Changes during the period | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| II. | Mergers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Associates, Subsidiaries and "Available-for-sale" securities | - | - | - | - | - | - | - | - | - | - | 256,611 | - | - | - | - | 256,611 | - | 256,611 |
| IV. | Hedges for risk management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.1 | Net cash flow hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.2 | Net foreign investment hedges | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| V. | Revaluation surplus on tangible assets | - | - | - | - | - | - | - | - | - | 433 | - | (235) | - | - | - | 198 | - | 198 |
| VI. | Revaluation surplus on intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. | Bonus shares of associates, subsidiaries and joint-ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. | Translation differences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. | Changes resulted from disposal 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 | - | - | - | - | - | - | - | - | 1,103,587 | - | - | - | - | - | - | 1,103,587 | - | 1,103,587 |
| XVIII. | Profit distribution | - | - | - | - | 193,012 | - | 1,635,437 | - | - | (1,930,109) | - | 1,660 | - | - | - | (100,000) | - | (100,000) |
| 18.1 | Dividends | - | - | - | - | - | - | - | - | - | (100,000) | - | - | - | - | - | (100,000) | - | (100,000) |
| 18.2 | Transferred to reserves | - | - | - | - | 193,012 | - | 1,635,437 | - | - | (1,830,109) | - | 1,660 | - | - | - | - | - | - |
| 18.3 | Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the period | | 2,500,000 | - | 723,918 | - | 1,367,022 | - | 9,964,966 | 380,198 | 1,103,587 | 433 | 1,087,024 | 831,574 | 69,222 | - | - | 18,027,944 | - | 18,027,944 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH ENDED AT 30 JUNE 2016**

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

| | Notes | Reveiwed Current Period 30 June 2016 | Reveiwed Prior Period 30 June 2015 |
|---|-------|--|--|
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 1,925,182 | 1,078,839 |
| 1.1.1 Interests received | | 7,577,195 | 5,962,186 |
| 1.1.2 Interests paid | | (4,651,788) | (3,674,411) |
| 1.1.3 Dividends received | | 14,819 | 36,072 |
| 1.1.4 Fee and commissions received | | 723,135 | 681,596 |
| 1.1.5 Other income | | 114,581 | 46,902 |
| 1.1.6 Collections from previously written-off loans and other receivables | | 500,208 | 436,897 |
| 1.1.7 Payments to personnel and service suppliers | | (833,554) | (713,881) |
| 1.1.8 Taxes paid | | (391,476) | (405,060) |
| 1.1.9 Other | | (1,127,938) | (1,291,462) |
| 1.2 Changes in operating assets and liabilities | | (2,168,713) | (3,494,515) |
| 1.2.1 Net (increase) decrease in financial assets held for trading purpose | | - | (476) |
| 1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss | | - | - |
| 1.2.3 Net (increase) decrease in due from banks and other financial institutions | | (2,397,513) | (1,690,682) |
| 1.2.4 Net (increase) decrease in loans | | (7,568,305) | (14,453,508) |
| 1.2.5 Net (increase) decrease in other assets | | 138,999 | 82,900 |
| 1.2.6 Net increase (decrease) in bank deposits | | 1,150,286 | (37,942) |
| 1.2.7 Net increase (decrease) in other deposits | | 2,893,615 | 8,481,590 |
| 1.2.8 Net increase (decrease) in funds borrowed | | (149,587) | 1,397,752 |
| 1.2.9 Net increase (decrease) in matured payables | | - | - |
| 1.2.10 Net increase (decrease) in other liabilities | | 3,763,792 | 2,725,851 |
| I. Net cash flow from banking operations | | (243,531) | (2,415,676) |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net cash flow from investing activities | | 92,718 | (712,864) |
| 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 | | (85,126) | (86,326) |
| 2.4 Proceeds from disposal of tangible assets | | 211,561 | 40,497 |
| 2.5 Cash paid for purchase of available-for-sale financial assets | | (2,347,440) | (3,131,440) |
| 2.6 Proceeds from disposal of available-for-sale financial assets | | 2,276,157 | 2,583,420 |
| 2.7 Cash paid for purchase of held-to-maturity investments | | (1,042,305) | (508,785) |
| 2.8 Proceeds from disposal of held-to-maturity investments | | 1,105,605 | 418,167 |
| 2.9 Other | | (25,734) | (28,397) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash flow from financing activities | | 1,161,284 | 2,844,923 |
| 3.1 Cash obtained from funds borrowed and securities issued | | 5,374,441 | 6,580,711 |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | (4,113,157) | (3,635,788) |
| 3.3 Equity instruments issued | | - | - |
| 3.4 Dividends paid | | (100,000) | (100,000) |
| 3.5 Repayments for finance leases | | - | - |
| 3.6 Other | | - | - |
| IV. Effect of change in foreign exchange rates on cash and cash equivalents | | 35,580 | 17,115 |
| V. Net increase in cash and cash equivalents | | 1,046,051 | (266,502) |
| VI. Cash and cash equivalents at the beginning of the period | | 8,200,424 | 8,182,469 |
| VII. Cash and cash equivalents at the end of the period | | 9,246,475 | 7,915,967 |

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and 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.

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

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

The amendments to TAS and TFRS, effective from 1 January 2016, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments to TAS and TFRS, except for TFRS 9 Financial Instruments (2011 Version), which have been published but not came into force as of financial statement date, will have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

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.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

(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)

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

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

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

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

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

Information on foreign currency transactions

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

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

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

III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSES

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

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES

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

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Available-for-sale financial assets

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

Held to maturity investments

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

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

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

Loans and receivables

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

Loans are initially recognized with their purchase and carried at their amortized costs using the internal rate of return at the subsequent recognition.

Foreign currency ("FC") granted loans are recognized in original currency and is subject to evaluation with the buying rate of Turkish Lira. Foreign currency indexed loans, are converted to Turkish Lira ("TL") at the rate of the opening date and in the following periods, according to changes in period exchange rate on the income statement in the foreign exchange gains / losses are recorded in the accounts.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

20% specific provision for non performing loans for Third Group and 100% specific provision for non performing loans for Fourth and Fifth Group used to be reserved on condition of not being less than the minimum required rates specified within the related Regulation, 50% specific provision is reserved for the non performing loans that are transferred to Fourth Group according to changes in accounting policy about specific provisions of non performing loans that are transferred to Fourth Group as of 30 September 2015 accounting period.

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 1 November 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill on financial statements.

The Bank’s intangible assets consist of software. Intangible assets are initially recorded at their costs in compliance with the TAS 38 – *Intangible Assets*.

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

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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

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

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- *Finance leasing activities as the lessee*

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

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

- *Finance leasing transactions as lessor*

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

Operational leases

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

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 30 June 2016 is TL 4,093 (full TL) (31 December 2015: TL 3,828 (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 30 June 2016 and 31 December 2015, the major actuarial assumptions used in the calculation of the total liability are as follows:

| | Current Period | Prior Period |
|----------------------------|-----------------------|---------------------|
| Discount Rate | 10.20% | 10.20% |
| Estimated Inflation Rate | 7.10% | 7.10% |
| Increase in Real Wage Rate | 8.10% | 8.10% |

Other benefits to employees

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 15 May 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

As part of Social Security Law’s 506 numbered, temporary article no.23, monthly income or salary is eligible for those disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the 1 November 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 (“the Law”) has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below:

- 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 1 January 2008. The three year period has expired on 8 May 2011; however, it has been extended to 8 May 2013 with the decision of Council of Ministers published in Official Gazette dated 9 April 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated 3 May 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated 30 April 2014 extended for one year. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335.

The employer of pension fund participants will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security Foundation.

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated 31 December 2015 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at 31 December 2015.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

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

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

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

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

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

Corporation tax legislation for the foreign branches

Bahrain (Manama)

Bahrain branch is non taxable because there is no corporate tax practice in that country. Bahrain branch’ income is added to headquarters income and it is taxed in Turkey according to Law No. 5520 on Corporate Tax Laws published in the Official Gazette dated 05.06.2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

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.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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.

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

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

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

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

In case valuation differences resulting from the subsequent measurement of the items are recognized in the statement of income, then the related current and or deferred tax effects are also recognized in the statement of income. On the other hand, if valuation differences are recognized in shareholders’ equity, then the related current or deferred tax effects are also recognized directly in the shareholders’ equity.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

Pursuant to the relevant Communiqué, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 19 December 2006.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at 30 June 2016 and 31 December 2015, 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.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 six month ended 30 June 2016, earnings per 100 shares are full TL 0.4414 (30 June 2015: full TL 0.3284).

Related parties

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

Classifications

None.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 30 June 2016 Bank’s capital adequacy ratio is 14.42% (31 December 2015: 14.52%).

| | Current Period | Amount as per the regulation before |
|---|-----------------------|--|
| | 30.06.2016 | 1/1/2014(*) |
| COMMON EQUITY TIER I CAPITAL | | |
| Paid-in capital to be entitled for compensation after all creditors | 2,500,000 | |
| Share Premium | 723,918 | |
| Reserves | 11,762,447 | |
| Income recognized under equity in accordance with TAS | 1,918,598 | |
| Profit | 1,104,020 | |
| Current Period’s Profit | 1,103,587 | |
| Prior Period’s Profit | 433 | |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit | 69,222 | |
| Common Equity Tier 1 Capital Before Deductions | 18,078,205 | |
| 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 | 50,261 | - |
| Leasehold Improvements on Operational Leases | 104,672 | - |
| Goodwill netted with deferred tax liability | - | - |
| Other intangible assets netted with deferred tax liabilities except mortgage servicing rights | 111,818 | 186,363 |
| 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 | 266,751 | |
| Common Equity Tier 1 capital (CET1) | 17,811,454 | |
| Additional Tier 1 capital: instruments | | |
| Premiums that are not included in Common Equity Tier 1 capital | - | |
| Bank’s borrowing instruments and related issuance premium | - | |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. EQUITY ITEMS (Continued)

| | Current Period 30.06.2016 | Amount as per the regulation before 1/1/2014(*) |
|---|------------------------------|---|
| Bank's borrowing instruments and related issuance premium (Temporary Article 4) | - | - |
| Additional Tier 1 Capital before deductions | - | - |
| Deductions from Additional Tier 1 Capital | | |
| Bank's a direct or indirect investment in Tier 1 Capital | - | - |
| Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7 | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% | - | - |
| Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital | - | - |
| Other Items Determined by BRSA | - | - |
| Transition from the Core Capital to Continue to deduce Components | | |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | 74,545 | - |
| 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) | 17,736,909 | |
| TIER 2 CAPITAL | | |
| Bank's borrowing instruments and related issuance premium | 2,412,781 | - |
| Bank's borrowing instruments and related issuance premium (Temporary Article 4) | 977,288 | - |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 1,726,965 | - |
| Tier 2 Capital Before Deductions | 4,139,746 | |
| Deductions From Tier 2 Capital | | |
| Bank's direct or indirect investment in Tier 2 Capital (-) | - | - |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8 | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-) | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital | - | - |
| Other Items Determined by BRSA (-) | - | - |
| Total Deductions From Tier 2 Capital | - | - |
| Tier 2 Capital | 4,139,746 | |
| Total Capital (The sum of Tier 1 Capital and Tier 2 Capital) | 21,876,655 | |
| 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 (-) | 129,404 | - |
| Other items to be defined by the BRSA (-) | 670 | - |
| 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 | 21,746,581 | - |
| Total Risk Weighted Amounts | 150,851,887 | - |
| Capital Adequacy Ratios | | |
| Core Capital Adequacy Ratio (%) | 11.81 | - |
| Tier 1 Capital Adequacy Ratio (%) | 11.76 | - |
| Capital Adequacy Ratio (%) | 14.42 | - |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. EQUITY ITEMS (Continued)

| | Current Period 30.06.2016 | Amount as per the regulation before 1/1/2014(*) |
|---|------------------------------|---|
| BUFFERS | | |
| Total buffer requirement | 0.627 | - |
| Capital conservation buffer requirement (%) | 0.625 | - |
| Bank specific counter-cyclical buffer requirement (%) | 0.002 | - |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | 7.31 | - |
| 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) | 2,086,384 | - |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 1,726,965 | - |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022) | | |
| Upper limit for Additional Tier 1 Capital subjected to temporary Article 4 | - | - |
| Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4 | - | - |
| Upper limit for Additional Tier 2 Capital subjected to temporary Article 4 | - | - |
| Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4 | - | - |

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

Summary information related to capital adequacy ratio

| | Prior Period |
|--|--------------|
| Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR) | 10,807,979 |
| Capital Requirement for Market Risk (MRCR) | 99,515 |
| Capital Requirement for Operational Risk (ORCR) ^(*) | 879,185 |
| Shareholders' Equity | 21,398,645 |
| Tier I Capital/((CRCR+MRCR+ORCR) *12.5*100) | 14.52 |
| Tier I Capital/((CRCR+MRCR+ORCR) *12.5*100) | 11.19 |
| Common Equity Tier I Capital/((CRCR+MRCR+ORCR) *12.5*100) | 11.26 |

(*) Equity and capital adequacy ratio calculation is changed in accordance with the "Regulation on the Amendment to the Regulation of Bank's Shareholder Equity" which came into force as of 31 March 2016. Prior period information is calculated within the framework of abolished regulations.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. EQUITY ITEMS (Continued)

| | Prior Period |
|---|-------------------------|
| COMMON EQUITY TIER I CAPITAL | |
| Paid-in Capital to be Entitled for Compensation After All Creditors | 2,500,000 |
| Share Premium | 723,918 |
| Share Cancellation Profits | - |
| Reserves | 9,933,998 |
| Other Comprehensive Income according to TAS | 1,925,054 |
| Profit | 1,930,109 |
| Current Period Profit | 1,930,109 |
| Previous Period Profit | - |
| General Reserves for Possible Losses | - |
| Bonus Shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period’s Profit | 69,222 |
| Common Equity Tier I Capital Before Deductions | 17,082,301 |
| Deductions from Common Equity Tier I Capital | |
| Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted Under Equity According to TAS(-) | 314,753 |
| Leasehold Improvements on Operational Leases(-) | 103,893 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes(-) | 68,511 |
| Net Deferred Tax Asset/Liability (-) | - |
| Shares Obtained Against Article 56, Paragraph 4 of the Banking Law(-) | - |
| Direct and Indirect Investments of the Bank on Its Own Tier I Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or less of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital (-) | - |
| Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Net Deferred Tax Assets Arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More Than the Issued Share Capital not Deducted from Tier I Capital(-) | - |
| Mortgage Servicing Rights not Deducted (-) | - |
| Excess Amount Arising from Deferred Tax Assets from Temporary Differences (-) | - |
| Other Items to be Defined by the BRSA (-) | - |
| Deductions from Tier I Capital in Cases Where There Are No Adequate Additional Tier I or Tier II Capitals (-) | - |
| Total Deductions from Common Equity Tier I Capital | 487,157 |
| Total Common Equity Tier I Capital | 16,595,144 |
| ADDITIONAL CORE CAPITAL | |
| Preferred Stock not Included in Tier I Capital and the Related Share Premiums | - |
| Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 01.01.2014) | - |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 01.01.2014) | - |
| Additional Core Capital before Deductions | - |
| Deductions from Additional Core Capital | |
| Direct and Indirect Investments of the Bank on Its Own Additional Core Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital (-) | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More of 10% of the Issued Share Capital (-) | - |
| Other items to be Defined by the BRSA (-) | - |
| The Amount to be Deducted from Additional Tier I Capital (-) | - |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. EQUITY ITEMS (Continued)

| | Prior Period |
|--|-------------------------|
| Total Deductions from Additional Core Capital | - |
| Total Additional Core Capital | - |
| Deductions from Core Capital | 102,766 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | 102,766 |
| Net Deferred Tax Asset/Liability not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| Total Core Capital | 16,492,378 |
| TIER II CAPITAL | |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014) | 1,450,446 |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014) | 1,905,885 |
| Pledged Assets of the Shareholders to be Used for the Bank’s Capital Increases | - |
| General Provisions | 1,688,747 |
| Tier II Capital before Deductions | 5,045,078 |
| Deductions from Tier II Capital | |
| Direct and Indirect Investments of the Bank on Its Own Tier II Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% or More of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - |
| The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-) | - |
| Other Items to be Defined by the BRSA (-) | - |
| Total Deductions from Tier II Capital | - |
| Total Tier II Capital | 5,045,078 |
| CAPITAL | 21,537,456 |
| Loans Granted Against the Articles 50 and 51 of the Banking Law (-) | - |
| Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-) | 138,557 |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-) | - |
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - |
| Other Items to be Defined by the BRSA (-) | 254 |
| The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not Deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - |
| The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or More Than the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital not Deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - |
| The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights not Deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | - |
| EQUITY | 21,398,645 |
| Amounts Lower than Excesses as per Deduction Rules | |
| Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital | - |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% or Less of the Tier I Capital | - |
| Remaining Mortgage Servicing Rights | - |
| Net Deferred Tax Assets arising from Temporary Differences | 15,421 |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. EQUITY ITEMS (Continued)

| | |
|---|---|
| Issuer | T.Vakıflar Bankası T.A.O. |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73 |
| Governing law(s) of the instrument | Debt Instrument Communique numbered CMB-II-31.1 BRSA regulation on bank's shareholder equity |
| Regulatory treatment | |
| Subject to 10% deduction as of 1/1/2015 | XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction. |
| Eligible at solo/group/group&solo | Available |
| Instrument type | Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital) |
| Amount recognized in regulatory capital (Currency in million, as of most recent reporting date) | 2,413 |
| Par value of instrument (in million) | 4,032 |
| Accounting classification | 347011/Subordinated Liabilities |
| Original date of issuance | XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015 |
| Perpetual or dated | XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: 1 November 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: 3 February 2025 |
| Issue date | XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015 |
| Issuer call subject to prior supervisory approval | Yes |
| Call option dates, conditioned call dates and call amount | XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 early call date at 3 February 2020 is available. |
| Subsequent call dates, if applicable | XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 only one call option is available. |
| Coupons / dividends* | |
| Fixed or floating dividend/coupon | Fixed/Interest payment once in six month, principal payment at the maturity date |
| Coupon rate and any related index | XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate |
| Existence of a dividend stopper | Nil |
| Fully discretionary, partially discretionary or mandatory | Nil |
| Existence of step up or other incentive to redeem | Nil |
| Noncumulative or cumulative | Noncumulative |
| Convertible or non-convertible | |
| If convertible, conversion trigger (s) | Nil |
| If convertible, fully or partially | Nil |
| If convertible, conversion rate | Nil |
| If convertible, mandatory or optional conversion | Nil |
| If convertible, specify instrument type convertible into | Nil |
| If convertible, specify issuer of instrument it converts into | Nil |
| Write-down feature | |
| If write-down, write-down trigger(s) | XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events |
| If write-down, full or partial | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature. |
| If write-down, permanent or temporary | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature. |
| If temporary write-down, description of write-up mechanism | XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism. |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Before debt instruments included in Tier II Capital after deposit and other receivables |
| Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not | Possess Article 8 |
| According to article 7 and 8 of Banks' shareholders equity law that are not possessed | Not Possess Article 7 |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

| | 30 June 2016 |
|---|---------------------|
| Shareholders’ equity | 18,027,944 |
| Leasehold improvements on operational leases | (104,672) |
| Goodwill and intangible assets | (111,818) |
| General provision (1.25% of the amount that subject to credit risk) | 1,726,965 |
| Subordinated debt | 2,412,781 |
| Deductions from shareholders’ equity | (204,619) |
| Capital | 21,746,581 |

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 30 June 2016 and 31 December 2015 the Bank does not have derivative financial instruments held for risk management.

Foreign exchange risk management policy

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

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

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

| | US Dollar | Euro |
|--|------------------|-------------|
| The Bank’s foreign currency purchase rate at the balance sheet date | 2.8800 | 3.1968 |
| <u>Foreign currency purchase rates for the days before balance sheet date:</u> | | |
| Day 1 | 2.8500 | 3.1518 |
| Day 2 | 2.8700 | 3.1722 |
| Day 3 | 2.8900 | 3.1862 |
| Day 4 | 2.8500 | 3.1279 |
| Day 5 | 2.8400 | 3.2214 |
| | US Dollar | Euro |
| Last 30-days arithmetical average rate | 2.8778 | 3.2264 |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

| Current Period | Euro | US Dollar | Other FC | Total |
|--|--------------------|--------------------|--------------------|--------------------|
| Assets: | | | | |
| Cash and balances with the Central Bank of Republic of Turkey | 3,166,118 | 14,403,023 | 5,040,166 | 22,609,307 |
| Banks | 282,918 | 3,917,142 | 131,513 | 4,331,573 |
| Financial assets at fair value through profit or loss ⁽¹⁾ | - | 167,981 | - | 167,981 |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 797,224 | 4,061,294 | - | 4,858,518 |
| Loans and receivables ⁽²⁾ | 13,787,177 | 26,938,869 | 68,428 | 40,794,474 |
| Associates, subsidiaries and joint-ventures | 416,223 | - | - | 416,223 |
| Held-to-maturity investments | - | 158,447 | - | 158,447 |
| Derivative financial assets held for risk management purpose | - | - | - | - |
| Tangible assets | - | 6,612 | - | 6,612 |
| Intangible assets | - | - | - | - |
| Other assets ⁽³⁾ | 173,762 | 632,069 | 10 | 805,841 |
| Total assets | 18,623,422 | 50,285,437 | 5,240,117 | 74,148,976 |
| Liabilities: | | | | |
| Bank deposits | 629,735 | 2,776,458 | 67,218 | 3,473,411 |
| Foreign currency deposits | 11,165,008 | 18,002,654 | 686,233 | 29,853,895 |
| Interbank money market takings | - | 1,860,413 | - | 1,860,413 |
| Other funding | 7,676,299 | 10,033,516 | - | 17,709,815 |
| Securities issued | 3,609,751 | 5,276,418 | - | 8,886,169 |
| Miscellaneous payables | 348,057 | 83,979 | 16,005 | 448,041 |
| Derivative financial liabilities held for risk | - | - | - | - |
| Other liabilities ^{(1) (4)} | 83,797 | 5,868,988 | 48 | 5,952,833 |
| Total liabilities | 23,512,647 | 43,902,426 | 769,504 | 68,184,577 |
| Net ‘on balance sheet’ position | (4,889,225) | 6,383,011 | 4,470,613 | 5,964,399 |
| Net ‘off-balance sheet’ position | 5,220,948 | (4,480,781) | (4,457,453) | (3,717,286) |
| Derivative assets ⁽⁶⁾ | 8,331,500 | 15,033,170 | 1,146,947 | 24,511,617 |
| Derivative liabilities ⁽⁶⁾ | 3,110,552 | 19,513,951 | 5,604,400 | 28,228,903 |
| Non-cash loans ⁽⁵⁾ | 3,116,120 | 6,924,484 | 294,021 | 10,334,625 |
| Prior Period | | | | |
| Total assets | 16,729,564 | 48,320,696 | 4,455,279 | 69,505,539 |
| Total liabilities | 21,515,163 | 46,753,502 | 865,489 | 69,134,154 |
| Net ‘on balance sheet’ position | (4,785,599) | 1,567,194 | 3,589,790 | 371,385 |
| Net ‘off-balance sheet’ position | 5,449,875 | (441,420) | (3,577,895) | 1,430,560 |
| Derivative assets ⁽⁶⁾ | 7,542,857 | 12,701,193 | 2,036,853 | 22,280,903 |
| Derivative liabilities ⁽⁶⁾ | 2,092,982 | 13,142,613 | 5,614,748 | 20,850,343 |
| Non-cash loans ⁽⁵⁾ | 3,006,375 | 7,731,618 | 246,531 | 10,984,524 |

⁽¹⁾ Derivative financial assets amounting to TL 409 (31 December 2015: TL 51,275) and liabilities amounting to TL 242,901 (31 December 2015: TL (12,881)) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 3,747,687 (31 December 2015: TL 3,530,360) which are presented in TL column in the balance sheet are included in the table above.

⁽³⁾ Prepaid expenses amounting to TL 63,187 (31 December 2015: TL 61,724) is not included.

⁽⁴⁾ Unearned revenues amounting to TL 123,337 (31 December 2015: TL 106,455) and equities amounting to TL 439,302 (31 December 2015: TL 431,137) 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 2,669,457 (31 December 2015: TL 1,835,888) and asset sales commitments amounting to TL 1,706,402 (31 December 2015: TL 1,895,065) are included.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the six month ended 30 June 2016 and 2015 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.

| | 30 June 2016 | | 30 June 2015 | |
|------------------------|----------------|----------------|----------------|---------------|
| | Profit or loss | Equity (*) | Profit or loss | Equity (*) |
| US Dollar | 189,562 | 189,562 | 41,564 | 41,564 |
| Euro | (8,450) | (8,450) | (5,783) | (5,783) |
| Other currencies | 1,316 | 1,316 | 1,031 | 1,031 |
| Total, net (**) | 182,428 | 182,428 | 36,812 | 36,812 |

(*) 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 six month ended 30 June 2016 and 2015 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

| | 30 June 2016 | | 30 June 2015 | |
|------------------------|------------------|------------------|-----------------|-----------------|
| | Profit or loss | Equity (*) | Profit or loss | Equity (*) |
| US Dollar | (178,879) | (178,879) | (40,097) | (40,097) |
| Euro | 8,450 | 8,450 | 5,783 | 5,783 |
| Other currencies | (1,316) | (1,316) | (905) | (905) |
| Total, net (**) | (171,745) | (171,745) | (35,219) | (35,219) |

(*) 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.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 | 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 | 15,835,467 | - | - | - | - | 9,963,388 | 25,798,855 |
| Banks | 3,613,350 | 159,937 | - | - | - | 590,311 | 4,363,598 |
| Financial assets at fair value through profit/loss | 345,064 | 335,688 | 33,627 | 135,112 | 133,995 | - | 983,486 |
| Interbank money market placements | - | - | - | - | - | - | - |
| Available-for-sale financial assets | 1,836,985 | 2,605,240 | 5,035,821 | 4,811,932 | 2,971,530 | 22,427 | 17,283,935 |
| Loans and receivables | 42,748,584 | 13,489,887 | 42,819,186 | 19,959,795 | 10,282,484 | 979,760 | 130,279,696 |
| Held-to-maturity investments | 747,652 | 1,827,818 | 3,644,607 | 1,294,252 | 231,866 | - | 7,746,195 |
| Other assets (*) | 9,200 | 31 | 2,842 | 16,789 | 178 | 7,155,638 | 7,184,678 |
| Total assets | 65,136,302 | 18,418,601 | 51,536,083 | 26,217,880 | 13,620,053 | 18,711,524 | 193,640,443 |
| Liabilities: | | | | | | | |
| Bank deposits | 5,241,980 | 849,831 | 322,253 | - | - | 343,561 | 6,757,625 |
| Other deposits | 60,009,021 | 20,190,544 | 4,850,297 | 22,859 | - | 22,303,271 | 107,375,992 |
| Interbank money market takings | 15,247,693 | - | - | 448,480 | 64,736 | - | 15,760,909 |
| Miscellaneous payables | - | - | - | - | - | 4,440,061 | 4,440,061 |
| Securities issued | 1,582,532 | 1,506,430 | 2,607,544 | 6,145,120 | - | - | 11,841,626 |
| Funds borrowed | 3,474,396 | 7,478,185 | 5,365,854 | 985,144 | 1,116,140 | - | 18,419,719 |
| Other liabilities (**) | 261,490 | 79,476 | 209,958 | 1,100,696 | 3,207,915 | 24,184,976 | 29,044,511 |
| Total liabilities | 85,817,112 | 30,104,466 | 13,355,906 | 8,702,299 | 4,388,791 | 51,271,869 | 193,640,443 |
| On balance sheet long position | - | - | 38,180,177 | 17,515,581 | 9,231,262 | - | 64,927,020 |
| On balance sheet short position | (20,680,810) | (11,685,865) | - | - | - | (32,560,345) | (64,927,020) |
| Off-balance sheet long position | 1,352,454 | 2,447,158 | - | - | - | - | 3,799,612 |
| Off-balance sheet short position | - | - | (279,040) | (2,450,876) | (532,800) | - | (3,262,716) |
| Net Position | (19,328,356) | (9,238,707) | 37,901,137 | 15,064,705 | 8,698,462 | (32,560,345) | 536,896 |

(*) 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.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. INTEREST RATE RISK (Continued)

| Prior Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Non-Interest Bearing | Total |
|--|--------------------------|-------------------|--------------------|-------------------|-----------------------------|---------------------------------|--------------------|
| Assets: | | | | | | | |
| Cash and balances with CBRT | 12,781,073 | - | - | - | - | 8,703,716 | 21,484,789 |
| Banks | 4,848,363 | 77,170 | - | - | - | 308,733 | 5,234,266 |
| Financial assets at fair value through profit/loss | 368,553 | 361,605 | 4,068 | 82,838 | 68,403 | - | 885,467 |
| Interbank money market placements | - | - | - | - | - | - | - |
| Available-for-sale financial assets | 2,379,177 | 2,467,096 | 4,688,228 | 5,082,470 | 2,077,745 | 79,253 | 16,773,969 |
| Loans and receivables | 42,177,039 | 26,147,770 | 26,070,684 | 18,329,170 | 10,249,815 | 806,175 | 123,780,653 |
| Held-to-maturity investments | 1,010,446 | 1,774,694 | 3,360,520 | 1,301,192 | 230,877 | - | 7,677,729 |
| Other assets (*) | 14,341 | 304 | 2,856 | 26,777 | 289 | 7,065,684 | 7,110,251 |
| Total assets | 63,578,992 | 30,828,639 | 34,126,356 | 24,822,447 | 12,627,129 | 16,963,561 | 182,947,124 |
| Liabilities: | | | | | | | |
| Bank deposits | 4,509,576 | 555,665 | 151,903 | - | - | 385,739 | 5,602,883 |
| Other deposits | 58,717,429 | 19,396,268 | 6,282,049 | 31,684 | - | 19,892,221 | 104,319,651 |
| Interbank money market takings | 11,133,014 | 1,148,950 | - | 397,450 | 64,627 | - | 12,744,041 |
| Miscellaneous payables | - | - | - | - | - | 4,160,217 | 4,160,217 |
| Securities issued | 1,179,387 | 1,235,096 | 2,114,466 | 6,018,810 | - | - | 10,547,759 |
| Fund borrowed | 3,369,498 | 7,405,733 | 4,832,221 | 554,645 | 2,393,900 | - | 18,555,997 |
| Other liabilities (**) | 45,764 | 92,325 | 231,607 | 903,262 | 3,190,333 | 22,553,285 | 27,016,576 |
| Total liabilities | 78,954,668 | 29,834,037 | 13,612,246 | 7,905,851 | 5,648,860 | 46,991,462 | 182,947,124 |
| On balance sheet long position | - | 994,602 | 20,514,110 | 16,916,596 | 6,978,269 | - | 45,403,577 |
| On balance sheet short position | (15,375,676) | - | - | - | - | (30,027,901) | (45,403,577) |
| Off-balance sheet long position | 1,207,068 | 2,297,615 | - | - | - | - | 3,504,683 |
| Off-balance sheet short position | - | - | (315,011) | (1,725,656) | (902,100) | - | (2,942,767) |
| Net Position | (14,168,608) | 3,292,217 | 20,199,099 | 15,190,940 | 6,076,169 | (30,027,901) | 561,916 |

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

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

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

| Current Period | Euro % | US Dollar % | Yen % | TL % |
|--|-------------------|------------------------|------------------|-----------------|
| Assets: | | | | |
| Cash and balance with CBRT | - | 0.49 | - | 3.21 |
| Banks | 1.90 | 0.58 | - | 11.37 |
| Financial assets at fair value through profit/loss | - | - | - | - |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 5.24 | 6.31 | - | 9.38 |
| Loans and receivables | 4.22 | 5.27 | - | 12.40 |
| Held-to-maturity investments | - | 2.38 | - | 9.41 |
| Liabilities: | | | | |
| Bank deposits | 0.34 | 0.65 | - | 11.76 |
| Other deposits | 1.54 | 2.26 | - | 10.19 |
| Interbank money market takings | - | 0.75 | - | 8.31 |
| Miscellaneous payables | - | - | - | - |
| Securities issued | 2.66 | 4.38 | - | 10.47 |
| Funds borrowed | 0.89 | 1.99 | - | 10.31 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. INTEREST RATE RISK (Continued)

| Prior Period | Euro | US Dollar | Yen | TL |
|--|------|-----------|------|-------|
| | % | % | % | % |
| Assets: | | | | |
| Cash and balance with CBRT | - | 0.49 | - | 3.81 |
| Banks | 0.10 | 0.36 | - | 11.27 |
| Financial assets at fair value through profit/loss | - | - | - | - |
| Interbank money market placements | - | - | - | - |
| Available-for-sale financial assets | 5.25 | 6.76 | - | 9.69 |
| Loans and receivables | 4.03 | 4.89 | - | 12.39 |
| Held-to-maturity investments | - | 3.59 | - | 10.02 |
| Liabilities: | | | | |
| Bank deposits | 0.71 | 0.67 | - | 13.07 |
| Other deposits | 1.73 | 2.07 | - | 10.77 |
| Interbank money market takings | - | 1.08 | - | 8.42 |
| Miscellaneous payables | - | - | - | - |
| Securities issued | 2.72 | 4.44 | 0.93 | 10.93 |
| Funds borrowed | 0.90 | 1.79 | - | 9.92 |

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

IV. STOCK POSITION RISKS

Stock position risks arising from banking book items

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

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

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

| Current Period | Comparison | | |
|--|------------------|------------------|-----------------|
| | Carrying Value | Fair Value(*) | Market Value(*) |
| Stock Investments | | | |
| Stocks quoted in exchange(*) | 554,645 | 554,645 | 554,645 |
| 1.Stocks Investments Group A | 554,645 | 554,645 | 554,645 |
| 2.Stock Investments Group B | - | - | - |
| 3.Stock Investment Group C | - | - | - |
| Stocks unquoted in exchange(**) | 1,333,067 | 1,254,001 | - |

(*) 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.

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. STOCK POSITION RISKS (Continued)

| Prior Period Stock Investments | Comparison | | |
|---|------------------|---------------------------|-----------------------------|
| | Carrying Value | Fair Value ^(*) | Market Value ^(*) |
| Stocks quoted in exchange^(*) | 548,852 | 548,852 | 548,852 |
| 1.Stocks Investments Group A | 548,852 | 548,852 | 548,852 |
| 2.Stock Investments Group B | - | - | - |
| 3.Stock Investment Group C | - | - | - |
| Stocks unquoted in exchange^(**) | 1,405,010 | 1,273,616 | - |

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

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

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

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

| Portfolio-Current Period | Realized Gain/Loss in Current Period | Revaluation Surplus | | Unrealized Gain and Loss | |
|--------------------------------|---|----------------------|---|--------------------------|---|
| | | Total ^(*) | Included in Supplementary Capital | Total ^(*) | Included in Supplementary Capital |
| 1. Private Capital Investments | - | - | - | - | - |
| 2. Publicly Traded Stocks | - | - | - | 63,869 | 63,869 |
| 3. Other Stocks | - | 739,403 | 739,403 | - | - |
| 4. Total | - | 739,403 | 739,403 | 63,869 | 63,869 |

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

| Portfolio-Prior Period | Realized Gain/Loss in Current Period | Revaluation Surplus | | Unrealized Gain and Loss | |
|--------------------------------|---|----------------------|---|--------------------------|---|
| | | Total ^(*) | Included in Supplementary Capital | Total ^(*) | Included in Supplementary Capital |
| 1. Private Capital Investments | - | - | - | - | - |
| 2. Publicly Traded Stocks | - | - | - | 97,259 | 97,259 |
| 3. Other Stocks | - | 837,276 | 837,276 | - | - |
| 4. Total | - | 837,276 | 837,276 | 97,259 | 97,259 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. STOCK POSITION RISKS (Continued)

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 | 554,645 | 554,645 | 44,372 |
| 3.Other Stocks | 1,333,067 | 1,333,067 | 106,645 |
| 4. Total | 1,887,712 | 1,887,712 | 151,017 |

| Portfolio-Prior Period | Carrying Value | Total RWA | Minimum Capital Requirement |
|-------------------------------|-----------------------|------------------|------------------------------------|
| 1.Private Equity Investments | - | - | - |
| 2.Quoted | 548,852 | 548,852 | 43,908 |
| 3.Other Stocks | 1,405,010 | 1,405,010 | 112,401 |
| 4. Total | 1,953,862 | 1,953,862 | 156,309 |

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. 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.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

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

| Liquidity Coverage Ratio | TL+FC | | FC | |
|--------------------------|------------|-----------|------------|-----------|
| | DATE | RATIO (%) | DATE | RATIO (%) |
| The lowest value | 15.04.2016 | 97.57 | 15.04.2016 | 143.22 |
| The highest value | 03.06.2016 | 126.27 | 03.06.2016 | 207.27 |

Liquidity Coverage Ratio

| Current Period | | Total unweighted value * | | Total weighted value* | |
|-----------------------------------|--|--------------------------|------------|----------------------------|------------|
| | | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | | |
| 1 | Total High Quality Liquid Assets (HQLA) | | | 29,651,371 | 19,601,075 |
| CASH OUTFLOWS | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 52,281,152 | 18,697,357 | 4,367,061 | 1,856,438 |
| 3 | Stable deposits | 17,221,097 | 265,955 | 861,055 | 13,298 |
| 4 | Less stable deposits | 35,060,055 | 18,431,402 | 3,506,006 | 1,843,140 |
| 5 | Unsecured wholesale funding, of which: | 57,230,909 | 17,001,910 | 23,934,814 | 9,243,018 |
| 6 | Operational deposits | 38,789,804 | 7,860,228 | 9,697,451 | 1,965,057 |
| 7 | Non-operational deposits | 11,654,271 | 6,575,963 | 7,886,803 | 4,754,237 |
| 8 | Unsecured debt | 6,786,834 | 2,565,719 | 6,350,560 | 2,523,724 |
| 9 | Secured wholesale funding | | | - | - |
| 10 | Additional requirements of which: | 15,654,092 | 13,381,322 | 15,654,092 | 13,381,322 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 15,654,092 | 13,381,322 | 15,654,092 | 13,381,322 |
| 12 | Outflows related to loss of funding on debt products | - | - | - | - |
| 13 | Credit and liquidity facilities | - | - | - | - |
| 14 | Other contractual funding obligations | 13,980,577 | 13,506,306 | 699,029 | 675,315 |
| 15 | Other contingent funding obligations | 42,620,729 | 12,417,855 | 6,714,260 | 1,620,554 |
| 16 | TOTAL CASH OUTFLOWS | | | 51,369,256 | 26,776,647 |
| CASH INFLOWS | | | | | |
| 17 | Secured lending | - | - | - | - |
| 18 | Inflows from fully performing exposures | 13,857,963 | 7,612,823 | 10,559,783 | 7,039,375 |
| 19 | Other cash inflows | 13,866,698 | 8,093,349 | 13,866,698 | 8,093,349 |
| 20 | TOTAL CASH INFLOWS | 27,724,661 | 15,706,172 | 24,426,481 | 15,132,724 |
| | | | | Upper Limit Applied Values | |
| 1 | TOTAL HQLA | | | 29,651,371 | 19,601,075 |
| 22 | TOTAL NET CASH OUTFLOWS | | | 26,942,775 | 11,643,923 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | | 110.59 | 170.05 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

| Prior Period | | Total unweighted value * | | Total weighted value* | |
|-----------------------------------|--|--------------------------|-------------------|----------------------------|-------------------|
| | | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | | |
| 1 | Total High Quality Liquid Assets (HQLA) | | | 28,685,961 | 19,080,631 |
| CASH OUTFLOWS | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 47,000,587 | 17,301,374 | 3,731,637 | 1,507,532 |
| 3 | Stable deposits | 19,368,439 | 4,452,105 | 968,422 | 222,605 |
| 4 | Less stable deposits | 27,632,148 | 12,849,269 | 2,763,215 | 1,284,927 |
| 5 | Unsecured wholesale funding, of which: | 56,964,767 | 17,007,270 | 24,077,564 | 9,130,630 |
| 6 | Operational deposits | 39,077,820 | 8,563,008 | 9,769,455 | 2,140,752 |
| 7 | Non-operational deposits | 11,500,011 | 6,314,138 | 8,043,800 | 4,884,740 |
| 8 | Unsecured debt | 6,386,936 | 2,130,124 | 6,264,309 | 2,105,138 |
| 9 | Secured wholesale funding | | | - | - |
| 10 | Additional requirements of which: | 12,161,941 | 10,353,586 | 12,161,941 | 10,353,586 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 12,161,941 | 10,353,586 | 12,161,941 | 10,353,586 |
| 12 | Outflows related to loss of funding on debt products | - | - | - | - |
| 13 | Credit and liquidity facilities | - | - | - | - |
| 14 | Other contractual funding obligations | 11,692,693 | 11,197,196 | 584,635 | 559,860 |
| 15 | Other contingent funding obligations | 41,049,749 | 12,616,503 | 6,408,586 | 1,602,636 |
| 16 | TOTAL CASH OUTFLOWS | | | 46,964,363 | 23,154,244 |
| CASH INFLOWS | | | | | |
| 17 | Secured lending | - | - | - | - |
| 18 | Inflows from fully performing exposures | 12,711,460 | 6,817,505 | 9,415,639 | 6,073,582 |
| 19 | Other cash inflows | 10,364,930 | 7,662,569 | 10,364,930 | 7,662,569 |
| 20 | TOTAL CASH INFLOWS | 23,076,390 | 14,480,074 | 19,780,569 | 13,736,151 |
| | | | | Upper Limit Applied Values | |
| 21 | TOTAL HQLA | | | 28,685,961 | 19,080,631 |
| 22 | TOTAL NET CASH OUTFLOWS | | | 27,183,794 | 9,418,093 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | | 105.53 | 202.60 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Undistributed^(*) | Total |
|--|-------------------|----------------------|---------------------|--------------------|-------------------|-------------------------|------------------------------------|--------------------|
| Assets: | | | | | | | | |
| Cash and balance with CBRT | 25,798,855 | - | - | - | - | - | - | 25,798,855 |
| Banks | 4,110,835 | 92,826 | 159,937 | - | - | - | - | 4,363,598 |
| Financial assets at fair value through profit/loss | - | 143,382 | 89,122 | 223,235 | 393,752 | 133,995 | - | 983,486 |
| Interbank money market placements | - | - | - | - | - | - | - | - |
| Available-for-sale financial assets | - | 114,153 | 1,000,247 | 1,973,506 | 8,519,741 | 5,653,861 | 22,427 | 17,283,935 |
| Loans and receivables | - | 12,292,076 | 4,286,801 | 25,915,055 | 54,463,486 | 32,342,518 | 979,760 | 130,279,696 |
| Held-to-maturity investments | - | 158,447 | - | 589,204 | 3,408,757 | 3,589,787 | - | 7,746,195 |
| Other assets | 6,263 | 1,079,094 | 31 | 2,842 | 94,100 | 178 | 6,002,170 | 7,184,678 |
| Total assets | 29,915,953 | 13,879,978 | 5,536,138 | 28,703,842 | 66,879,836 | 41,720,339 | 7,004,357 | 193,640,443 |
| Liabilities: | | | | | | | | |
| Bank deposits | 343,561 | 5,241,980 | 849,831 | 322,253 | - | - | - | 6,757,625 |
| Other deposits | 22,303,271 | 60,009,021 | 20,190,544 | 4,850,297 | 22,859 | - | - | 107,375,992 |
| Funds borrowed | - | 479,006 | 3,579,879 | 6,591,680 | 2,816,958 | 4,952,196 | - | 18,419,719 |
| Interbank money market takings | - | 15,247,693 | - | - | 448,480 | 64,736 | - | 15,760,909 |
| Securities issued | - | 1,582,532 | 1,506,430 | 2,382,955 | 6,369,709 | - | - | 11,841,626 |
| Miscellaneous payables | - | 3,661,474 | 74,383 | - | - | - | 704,204 | 4,440,061 |
| Other liabilities | - | 1,139,647 | 365,922 | 15,587 | 280,028 | 4,287,965 | 22,955,362 | 29,044,511 |
| Total liabilities | 22,646,832 | 87,361,353 | 26,566,989 | 14,162,772 | 9,938,034 | 9,304,897 | 23,659,566 | 193,640,443 |
| Liquidity gap | 7,269,121 | (73,481,375) | (21,030,851) | 14,541,070 | 56,941,802 | 32,415,442 | (16,655,209) | - |
| Net Off Balance Sheet Position | | | | | | | | |
| Receivables from Derivative Financial Instruments | - | (102,583) | 114,464 | 202,308 | 132,505 | 370,287 | - | 716,981 |
| Payables from Derivative Financial Instruments | - | 13,938,854 | 6,143,163 | 1,862,419 | 9,172,836 | 4,458,741 | - | 35,576,013 |
| Non-cash Loans | 2,608,185 | 762,776 | 19,500,524 | 6,091,087 | 3,913,936 | 719,403 | - | 33,595,911 |
| Prior Period | | | | | | | | |
| Total assets | 25,422,750 | 15,036,713 | 4,496,759 | 26,883,402 | 63,886,607 | 40,286,125 | 6,934,768 | 182,947,124 |
| Total liabilities | 20,277,960 | 79,732,057 | 23,375,688 | 17,727,452 | 9,736,178 | 9,556,749 | 22,541,040 | 182,947,124 |
| Liquidity gap | 5,144,790 | (64,695,344) | (18,878,929) | 9,155,950 | 54,150,429 | 30,729,376 | (15,606,272) | - |
| Net Off Balance Sheet Position | | | | | | | | |
| Receivables from Derivative Financial Instruments | - | 37,789 | (15,679) | 79,335 | 496,019 | 374,145 | - | 971,609 |
| Payables from Derivative Financial Instruments | - | 10,214,707 | 3,472,683 | 1,297,251 | 5,540,752 | 4,922,653 | - | 25,448,046 |
| Non-cash Loans | 2,663,320 | 951,139 | 19,396,626 | 5,498,569 | 4,034,068 | 524,639 | - | 33,068,361 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Residual contractual maturities of the financial liabilities

| Current Period | Carrying amount | Gross nominal outflow | Demand | Less than one month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|-------------------------|------------------------|------------------------------|-------------------|----------------------------|-------------------|---------------------------|-------------------|--------------------------|
| Bank deposits | 6,757,625 | 6,781,752 | 343,561 | 5,252,960 | 859,473 | 325,758 | - | - |
| Other deposits | 107,375,992 | 107,871,760 | 22,303,271 | 60,184,120 | 20,389,100 | 4,971,589 | 23,680 | - |
| Funds borrowed | 18,419,719 | 20,055,185 | - | 480,110 | 3,599,418 | 6,726,744 | 3,277,893 | 5,971,020 |
| Money market takings | 15,760,909 | 15,915,025 | - | 15,259,072 | - | - | 563,471 | 92,482 |
| Issued Securities (Net) | 11,841,626 | 12,443,492 | - | 1,592,310 | 1,525,620 | 2,470,730 | 6,854,832 | - |
| Miscellaneous payables | 4,440,061 | 4,440,061 | 704,204 | 3,661,474 | 74,383 | - | - | - |
| Other liabilities | 7,081,969 | 8,860,324 | 1,592,138 | 871,916 | 34,335 | 15,587 | 280,028 | 6,066,320 |
| Total | 171,677,901 | 176,367,599 | 24,943,174 | 87,301,962 | 26,482,329 | 14,510,408 | 10,999,904 | 12,129,822 |
| Non-Cash Loans | 33,595,911 | 33,595,911 | 2,608,185 | 762,776 | 19,500,524 | 6,091,087 | 3,913,936 | 719,403 |

| Prior Period | Carrying amount | Gross nominal outflow | Demand | Less than one month | 1-3 months | 3 months to 1 year | 1-5 years | More than 5 years |
|-------------------------|------------------------|------------------------------|-------------------|----------------------------|-------------------|---------------------------|-------------------|--------------------------|
| Bank deposits | 5,602,883 | 5,617,785 | 385,739 | 4,514,733 | 562,204 | 155,109 | - | - |
| Other deposits | 104,319,651 | 104,839,904 | 19,892,221 | 58,890,679 | 19,594,638 | 6,429,529 | 32,837 | - |
| Funds borrowed | 18,555,997 | 20,025,703 | - | 299,282 | 704,682 | 9,491,948 | 3,333,188 | 6,196,603 |
| Money market takings | 12,744,041 | 12,759,688 | - | 11,143,452 | 1,151,513 | - | 399,406 | 65,317 |
| Issued Securities (Net) | 10,547,759 | 11,297,272 | - | 1,185,490 | 1,246,388 | 1,897,286 | 6,968,108 | - |
| Miscellaneous payables | 4,160,217 | 4,160,217 | 834,101 | 3,258,356 | 67,760 | - | - | - |
| Other liabilities | 6,530,395 | 8,450,423 | 1,711,193 | 377,119 | 37,965 | 39,193 | 83,026 | 6,201,927 |
| Total | 162,460,943 | 167,150,992 | 22,823,254 | 79,669,111 | 23,365,150 | 18,013,065 | 10,816,565 | 12,463,847 |
| Non-Cash Loans | 33,068,361 | 33,068,361 | 2,663,320 | 951,139 | 19,396,626 | 5,498,569 | 4,034,068 | 524,639 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. LEVERAGE RATIO

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

The Bank’s unconsolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 7.21%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (31 December 2015: 6.81%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

| | | Current Period^(*) | Prior Period^(*) |
|---|---|-------------------------------------|-----------------------------------|
| On-balance sheet exposures | | | |
| 1 | On-balance sheet items (excluding derivatives and SFTs; including collateral) | 192,107,726 | 182,236,355 |
| 2 | Assets deducted in determining Basel III Tier 1 capital | (287,974) | (568,612) |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) | 191,819,752 | 181,667,743 |
| Derivative exposures | | | |
| 4 | Replacement cost | 993,663 | 956,386 |
| 5 | Add-on amount | 621,976 | 365,598 |
| 6 | Total derivative exposures | 1,615,639 | 1,321,984 |
| Securities financing transaction exposures | | | |
| 7 | Gross SFT assets (with no recognition of accounting netting) | 767,955 | 779,859 |
| 8 | Agent transaction exposures | - | - |
| 9 | Total securities financing transaction exposures | 767,955 | 779,859 |
| Other off-balance sheet exposures | | | |
| 10 | Off-balance sheet exposures with gross nominal amount | 45,676,005 | 53,969,900 |
| 11 | Adjustment amount off-balance sheet exposures with credit conversion factor | 2,495,982 | 1,025,968 |
| 12 | Total off-balance sheet exposures | 48,171,987 | 54,995,868 |
| Capital and total exposures | | | |
| 13 | Tier 1 capital | 17,485,992 | 16,253,544 |
| 14 | Total exposures | 242,375,333 | 238,765,454 |
| Leverage ratio | | | |
| 15 | Leverage ratio | 7.21 | 6.81 |

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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

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

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

| Current Period | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|---------------------------|------------------------------|-------------------------------|--------------------|-----------------------------|
| OPERATING INCOME/ EXPENSES | | | | | |
| Interest Income | 2,364,760 | 3,813,119 | 1,657,580 | 1,654 | 7,837,113 |
| <i>Interest income from loans</i> | 2,364,760 | 3,813,119 | 494,592 | - | 6,672,471 |
| <i>Interest income from reserve deposits</i> | - | - | 54,942 | - | 54,942 |
| <i>Interest income from securities portfolio</i> | - | - | 1,095,472 | - | 1,095,472 |
| <i>Interest income from banks</i> | - | - | 12,574 | - | 12,574 |
| <i>Interest income from money market transactions</i> | - | - | - | - | - |
| <i>Finance Lease Income</i> | - | - | - | - | - |
| <i>Other interest income</i> | - | - | - | 1,654 | 1,654 |
| Interest Expense | 1,633,309 | 1,886,366 | 1,185,513 | 33,733 | 4,738,921 |
| <i>Interest expense on deposits</i> | 1,633,309 | 1,880,797 | 109,695 | - | 3,623,801 |
| <i>Interest expense on funds borrowed</i> | - | 5,569 | 153,708 | - | 159,277 |
| <i>Interest expense on money market transactions</i> | - | - | 484,489 | - | 484,489 |
| <i>Interest expense on securities issued</i> | - | - | 313,006 | - | 313,006 |
| <i>Other interest expenses</i> | - | - | 124,615 | 33,733 | 158,348 |
| Net Interest Income | 731,451 | 1,926,753 | 472,067 | (32,079) | 3,098,192 |
| Net Fees and Commissions Income | 209,448 | 213,996 | 32,316 | - | 455,760 |
| Trading Income/ Losses (Net) | - | - | 72,819 | - | 72,819 |
| Dividend Income | - | - | 82,722 | - | 82,722 |
| Other Income (*) | - | - | - | 577,672 | 577,672 |
| Provision For Losses on Loans and Other | | | | | |
| Receivables | 145,768 | 693,535 | 16,689 | 134,037 | 990,029 |
| Other Expenses (**) | - | - | - | 1,906,326 | 1,906,326 |
| Profit Before Taxes | 795,131 | 1,447,214 | 643,235 | (1,494,770) | 1,390,810 |
| Provision for taxes | - | - | - | (287,223) | (287,223) |
| Net Profit/ Loss | 795,131 | 1,447,214 | 643,235 | (1,781,993) | 1,103,587 |
| SEGMENT ASSETS | | | | | |
| Securities Portfolio | - | - | 25,030,130 | - | 25,030,130 |
| Derivative Financial Assets Held for Trading Purpose | - | - | 983,486 | - | 983,486 |
| Banks and Receivables From Money Markets | - | - | 4,363,598 | - | 4,363,598 |
| Investments in Associates and Subsidiaries | - | - | 1,865,285 | - | 1,865,285 |
| Loans and Receivables | 39,196,717 | 72,720,818 | 18,362,161 | - | 130,279,696 |
| Other Assets | - | - | 24,699,956 | 6,418,292 | 31,118,248 |
| TOTAL ASSETS | 39,196,717 | 72,720,818 | 75,304,616 | 6,418,292 | 193,640,443 |
| SEGMENT LIABILITIES | | | | | |
| Deposits | 50,297,639 | 57,078,353 | 6,757,625 | - | 114,133,617 |
| Derivative Financial Liabilities Held for Trading Purpose | - | - | 731,978 | - | 731,978 |
| Interbank Money Market Takings | - | - | 15,760,909 | - | 15,760,909 |
| Funds Borrowed | - | 555,423 | 17,864,296 | - | 18,419,719 |
| Securities Issued | - | - | 11,841,626 | - | 11,841,626 |
| Other Liabilities | - | - | 4,478,106 | 6,628,619 | 11,106,725 |
| Provisions and Tax Liabilities | - | - | - | 3,617,925 | 3,617,925 |
| Equity | - | - | - | 18,027,944 | 18,027,944 |
| TOTAL LIABILITIES AND EQUITY | 50,297,639 | 57,633,776 | 57,434,540 | 28,274,488 | 193,640,443 |

(*) TL 373,245 amount of TL 577,672 shown in other income line consists of rejecting reserves from previous periods, TL 128,580 of income from sale of Bank's assets, TL 22,057 from communications income and remaining, TL 508 from leasing income, TL 53,282 of other income.

(**) TL 731,645 amount of TL 1,906,326 shown in other expenses line consists of personnel expenses, TL 737,702 of other operating expenses, TL 85,411 of depreciation expenses, TL 75,556 of dividend reserves expenses to be given to personnel, TL 66,818 of Savings Deposit Insurance Fund (SDIF) expenses, TL 68,221 of taxes and funds expenses, and the remaining TL 140,973 of other expenses.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. SEGMENT REPORTING (Continued)

| Prior Period | Retail Banking | Corporate Banking | Investment Banking | Other | Total Operations |
|---|---------------------------|------------------------------|-------------------------------|--------------------|-----------------------------|
| OPERATING INCOME/ EXPENSES | | | | | |
| Interest Income | 2,015,567 | 3,019,488 | 1,412,451 | 1,141 | 6,448,647 |
| <i>Interest income from loans</i> | <i>2,015,567</i> | <i>3,019,488</i> | <i>348,790</i> | - | <i>5,383,845</i> |
| <i>Interest Income from reserve deposits</i> | - | - | <i>8,144</i> | - | <i>8,144</i> |
| <i>Interest income from securities portfolio</i> | - | - | <i>1,051,193</i> | - | <i>1,051,193</i> |
| <i>Interest income from banks</i> | - | - | <i>4,324</i> | - | <i>4,324</i> |
| <i>Interest income from money market transactions</i> | - | - | - | - | - |
| <i>Finance Lease Income</i> | - | - | - | - | - |
| <i>Other interest income</i> | - | - | - | <i>1,141</i> | <i>1,141</i> |
| Interest Expense | 1,149,581 | 1,580,696 | 1,024,671 | 20,923 | 3,775,871 |
| <i>Interest expense on deposits</i> | <i>1,149,581</i> | <i>1,575,273</i> | <i>98,885</i> | - | <i>2,823,739</i> |
| <i>Interest expense on funds borrowed</i> | - | <i>5,423</i> | <i>121,078</i> | - | <i>126,501</i> |
| <i>Interest expense on money market transactions</i> | - | - | <i>417,217</i> | - | <i>417,217</i> |
| <i>Interest expense on securities issued</i> | - | - | <i>278,594</i> | - | <i>278,594</i> |
| <i>Other interest expenses</i> | - | - | <i>108,897</i> | <i>20,923</i> | <i>129,820</i> |
| Net Interest Income | 865,986 | 1,438,792 | 387,780 | (19,782) | 2,672,776 |
| Net Fees and Commissions Income | 195,865 | 218,329 | 35,231 | - | 449,425 |
| Trading Income/ Losses (Net) | - | - | 93,186 | - | 93,186 |
| Dividend Income | - | - | 62,130 | - | 62,130 |
| Other Income (*) | - | - | - | 543,870 | 543,870 |
| Provision For Losses on Loans and Other Receivables | 269,943 | 454,237 | 15,157 | 250,734 | 990,071 |
| Other Expenses (**) | - | - | - | 1,760,617 | 1,760,617 |
| Profit Before Taxes | 791,908 | 1,202,884 | 563,170 | (1,487,263) | 1,070,699 |
| Provision for taxes | - | - | - | (249,762) | (249,762) |
| Net Profit/ Loss | 791,908 | 1,202,884 | 563,170 | (1,737,025) | 820,937 |
| SEGMENT ASSETS | | | | | |
| Securities Portfolio | - | - | 24,451,698 | - | 24,451,698 |
| Derivative Financial Assets Held for Trading Purpose | - | - | 885,467 | - | 885,467 |
| Banks and Receivables From Money Markets | - | - | 5,234,266 | - | 5,234,266 |
| Investments in Associates and Subsidiaries | - | - | 1,874,609 | - | 1,874,609 |
| Loans and Receivables | 36,849,266 | 69,990,429 | 16,940,958 | - | 123,780,653 |
| Other Assets | - | - | 20,379,948 | 6,340,483 | 26,720,431 |
| TOTAL ASSETS | 36,849,266 | 69,990,429 | 69,766,946 | 6,340,483 | 182,947,124 |
| SEGMENT LIABILITIES | | | | | |
| Deposits | 45,072,299 | 59,247,352 | 5,602,883 | - | 109,922,534 |
| Derivative Financial Liabilities Held for Trading Purpose | - | - | 289,589 | - | 289,589 |
| Interbank Money Market Takings | - | - | 12,744,041 | - | 12,744,041 |
| Funds Borrowed | - | 371,535 | 18,184,462 | - | 18,555,997 |
| Securities Issued | - | - | 10,547,759 | - | 10,547,759 |
| Other Liabilities | - | - | 4,759,494 | 5,945,955 | 10,705,449 |
| Provisions and Tax Liabilities | - | - | - | 3,414,207 | 3,414,207 |
| Equity | - | - | - | 16,767,548 | 16,767,548 |
| TOTAL LIABILITIES AND EQUITY | 45,072,299 | 59,618,887 | 52,128,228 | 26,127,710 | 182,947,124 |

(*) TL 424,461 amount of TL 543,870 shown in other income line consists of rejecting reserves from previous periods, TL 39,042 of income from sale of Bank's assets, TL 24,686 from communications income, TL 725 from leasing income and remaining TL 54,956 of other income.

(**) TL 665,466 amount of TL 1,760,617 shown in other expenses line consists of personnel expenses, TL 638,337 of other operating expenses, TL 77,666 of depreciation expenses, TL 68,914 of dividend reserves expenses to be given to personnel, TL 55,517 of Savings Deposit Insurance Fund (SDIF) expenses, TL 59,989 of taxes and funds expenses, and the remaining TL 194,728 of other expenses.

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT

Overview of Risk Weighted Amounts

Explanations regarding “Explanations Communiqué on Explanations to the Public Regarding Banks Risk Management” published in the Official Gazette no.29511 dated 23 October 2015 is given below and other statements related with Internal Rating Based approach are not included in this report because Standardised approach (SA) is used for calculation of capital requirements.

| | | Risk Weighted Amount | | Minimum Capital |
|----|---|----------------------|--------------------|-------------------|
| | | Current Period | Prior Period | Current Period |
| 1 | Credit Risk (excluding counterparty credit risk) (*) | 135,265,803 | 134,199,244 | 10,821,264 |
| 2 | Standardised approach | 135,265,803 | 134,199,244 | 10,821,264 |
| 3 | Internal rating based approach | - | - | - |
| 4 | Counterparty Credit Risk | 2,698,119 | 1,087,039 | 215,850 |
| 5 | Standardised approach for counterparty credit risk | 2,698,119 | 1,087,039 | 215,850 |
| 6 | Internal model method | - | - | - |
| | Equity position in banking book under basic risk weighting or internal rating based | - | - | - |
| 7 | Equity investments in funds – look-through approach | - | - | - |
| 8 | Equity investments in funds – mandate-based approach | - | - | - |
| 9 | Equity investments in funds – 1250% weighted risk 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 | 404,438 | 1,041,963 | 32,355 |
| 17 | Standardised approach | 404,438 | 1,041,963 | 32,355 |
| 18 | Internal model approaches | - | - | - |
| 19 | Operational Risk | 12,290,249 | 10,989,807 | 983,220 |
| 20 | Basic Indicator Approach | 12,290,249 | 10,989,807 | 983,220 |
| 21 | Standardised approach | - | - | - |
| 22 | Advanced measurement approach | - | - | - |
| | The amounts below the thresholds for deduction from capital (subject to a 250% risk weight) | 193,278 | 15,421 | 15,462 |
| 23 | Floor adjustment | - | - | - |
| 24 | Floor adjustment | - | - | - |
| 25 | Total (1+4+7+8+9+10+11+12+16+19+23+24) | 150,851,887 | 147,333,473 | 12,068,151 |

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

Credit Quality of Assets

| | Gross carrying values of (according to TAS) | | | Allowances / Impairment | Net Values (a+b-c) |
|---|---|---------------------|--------------------|-------------------------|--------------------|
| | Defaulted Exposures | Defaulted Exposures | Exposures | | |
| 1 | Loans | 5,470,018 | 129,342,611 | 4,532,933 | 130,279,696 |
| 2 | Debt Securities | - | 25,047,228 | 39,525 | 25,007,703 |
| 3 | Off-balance sheet exposure | 131,129 | 60,716,492 | 46,042 | 60,801,579 |
| 4 | Total | 5,601,147 | 215,106,331 | 4,618,500 | 216,088,978 |

Changes in Stock of Defaulted Loans and Debt Securities(*)

| | | |
|---|---|------------------|
| 1 | Defaulted Loans and debt securities at 31 December 2015 | 4,850,213 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 1,235,182 |
| 3 | Returned to non-defaulted status | (142,851) |
| 4 | Amounts written-off | - |
| 5 | Other Changes | (472,526) |
| 6 | Defaulted Loans and debt securities at 30 June 2016 (1+2-3-4±5) | 5,470,018 |

(*) Indemnified non-cash loans of the firms which are followed under “Non-performing Loans” accounts are not included in the table.

Credit Risk Mitigation Techniques

| | Exposures unsecured: carrying amount | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees, of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
|---|--------------------------------------|---------------------------------|---|---|---|---|---|
| | | | | | | | |
| 2 | Debt Securities | 25,007,703 | - | - | - | - | - |
| 3 | Total | 106,616,742 | 48,670,657 | 41,327,407 | 2,282,338 | 1,969,558 | - |
| 4 | Of which Defaulted | 5,470,018 | - | - | - | - | - |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

| Asset classes | Exposures before Credit Conversion Factors and CRM | | Exposures post- Credit Conversion Factors and CRM | | RWA and RWA density | |
|--|--|--------------------------|---|--------------------------|---------------------|-------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 Exposures to central governments or central banks | 52,087,271 | - | 53,859,688 | - | 14,317,170 | 27% |
| 2 Exposures to regional governments or local authorities | 3,637,995 | 397,595 | 3,637,995 | 183,194 | 1,884,814 | 49% |
| 3 Exposures to public sector entities | 357,785 | 883,221 | 357,785 | 422,017 | 773,460 | 99% |
| 4 Exposures to multilateral development banks | - | 432 | - | 216 | - | 0% |
| 5 Exposures to international organizations | - | - | - | - | - | - |
| 6 Exposures to institutions | 1,721,232 | 1,630,789 | 1,721,231 | 914,574 | 1,244,609 | 47% |
| 7 Exposures to corporates | 47,626,035 | 42,304,722 | 45,853,619 | 15,203,866 | 59,920,069 | 98% |
| 8 Retail exposures | 39,580,063 | 18,016,043 | 39,580,063 | 1,902,603 | 30,949,084 | 75% |
| 9 Exposures secured by residential property | 18,703,528 | 649,210 | 18,703,528 | 273,527 | 6,641,969 | 35% |
| 10 Exposures secured by commercial real estate | 19,518,029 | 1,511,203 | 19,518,029 | 819,883 | 12,656,365 | 62% |
| 11 Past-due loans | 979,760 | - | 979,760 | - | 979,760 | 100% |
| 12 Higher-risk categories by the Agency Board | 193,758 | - | 193,758 | - | 367,948 | 190% |
| 13 Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14 Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15 Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16 Other assets | 5,700,566 | - | 5,700,566 | - | 3,836,122 | 67% |
| 17 Investment in equities | 1,887,712 | - | 1,887,712 | - | 1,887,712 | 100% |
| 18 Total | 191,993,734 | 65,393,215 | 191,993,734 | 19,719,880 | 135,459,082 | 64% |

Exposures by asset classes and risk weights

| Asset Classes/ Risk Weight* | 0% | 10% | 20% | 35% (secured by real estate) | 50% | 75% | 100% | 150% | 200% | 250% | Other Risk Weights | Total credit risk exposure amount (After CCF and CRM) |
|--|-------------------|----------|----------------|------------------------------|-------------------|-------------------|-------------------|----------------|----------|---------------|--------------------|---|
| 1 Exposures to central governments or central banks | 25,225,349 | - | - | - | 28,634,339 | - | - | - | - | - | - | 53,859,688 |
| 2 Exposures to regional governments or local authorities | 8,740 | - | 71,370 | - | 3,741,079 | - | - | - | - | - | - | 3,821,189 |
| 3 Exposures to public sector entities | 5,844 | - | 623 | - | - | - | 773,335 | - | - | - | - | 779,802 |
| 4 Exposures to multilateral development banks | 216 | - | - | - | - | - | - | - | - | - | - | 216 |
| 5 Exposures to International organizations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 Exposures to institutions | 1,022 | - | 247,409 | - | 2,384,495 | - | 2,880 | - | - | - | - | 2,635,806 |
| 7 Exposures to corporates | 355,539 | - | 324,542 | - | 1,044,487 | - | 59,332,917 | - | - | - | - | 61,057,485 |
| 8 Retail exposures | - | - | - | - | - | 41,482,666 | - | - | - | - | - | 41,482,666 |
| 9 Exposures secured by residential property | - | - | - | 18,977,055 | - | - | - | - | - | - | - | 18,977,055 |
| 10 Exposures secured by commercial real estate | - | - | - | - | 15,363,095 | - | 4,974,817 | - | - | - | - | 20,337,912 |
| 11 Past-due loans | - | - | - | - | - | - | 979,760 | - | - | - | - | 979,760 |
| 12 Higher Risk categories by the Agency Board | - | - | - | - | - | - | - | 116,447 | - | 77,311 | - | 193,758 |
| 13 Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 Exposures to institutions and corporates with a short term credit assessments | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | - | - |
| 16 Other assets | - | - | - | - | - | - | 1,887,712 | - | - | - | - | 1,887,712 |
| 17 Investments in equities | 1,662,818 | - | 252,032 | - | - | - | 3,785,716 | - | - | - | - | 5,700,566 |
| 18 Total | 27,259,528 | - | 895,976 | 18,977,055 | 51,167,495 | 41,482,666 | 71,737,137 | 116,447 | - | 77,311 | - | 211,713,615 |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Analysis of counterparty credit risk (CCR) exposure by approach

| | Replacement cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | EAD post CRM | RWA |
|---|---------------------|---------------------------------|------|--|-----------------|----------------|
| 1 Valuation Method according to fair value - CCR (for derivatives) | 1,035,439 | 604,061 | | - | 1,639,500 | 814,086 |
| 2 Standardised Approach - CCR (For Derivatives) | - | - | | 1.4 | - | - |
| 3 Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | | - | - | - |
| 4 Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | | | 690,245 | 167,613 |
| 5 Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | | | - | - |
| 6 VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions | | | | | - | - |
| 7 Total | | | | | | 981,699 |

Credit valuation adjustment (CVA) capital charge

| | Exposure at default post CRM | RWA |
|--|------------------------------|------------------|
| Total portfolios subject to the Advanced CVA capital charge | - | - |
| 1 (i) VaR component (Including the 3 x multiplier) | | - |
| 2 (ii) Stressed VaR component (Including the 3 x multiplier) | | - |
| 3 All portfolios subject to the Standardised CVA capital charge | 4,773,403 | 1,716,420 |
| 4 Total subject to the CVA capital charge | 4,773,403 | 1,716,420 |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty Credit Risk(CCR) Exposures by Regulatory Portfolio and Risk Weights

| Regulatory Portfolio / Risk weight | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total Credit Exposures* |
|--|-------------------|------------|------------------|------------------|---------------|----------------|-------------|--------------|--------------------------------|
| Claims from central governments and central banks | 12,017,094 | - | - | - | - | - | - | - | - |
| Claims from regional and local governments | 1,725 | - | - | - | - | - | - | - | - |
| Claims from administration and non-commercial entity | 13,275 | - | - | - | - | 1,952 | - | - | 1,952 |
| Claims from multilateral development banks | - | - | - | - | - | - | - | - | - |
| Claims from international organisations | - | - | - | - | - | - | - | - | - |
| Claims from banks and financial intermediaries | 2,464,594 | - | 3,422,557 | 3,326,930 | - | - | - | - | 2,347,976 |
| Corporates | 4,212 | - | - | - | - | 337,639 | - | - | 337,639 |
| Retail portfolios | - | - | - | - | 14,069 | - | - | - | 10,552 |
| Claims on landed real estate | - | - | - | - | - | - | - | - | - |
| Past due loans | - | - | - | - | - | - | - | - | - |
| Claims which are defined as high risk by the board of BRSA | - | - | - | - | - | - | - | - | - |
| Mortgage securities | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - |
| Claims from corporates, banks and financial intermediaries which have short term credit rating | - | - | - | - | - | - | - | - | - |
| Investments which are qualified as collective investment institutions | - | - | - | - | - | - | - | - | - |
| Stock investment | - | - | - | - | - | - | - | - | - |
| Other claims | - | - | - | - | - | - | - | - | - |
| Other assets** | - | - | - | - | - | - | - | - | - |
| Total | 14,500,900 | - | 3,422,557 | 3,326,930 | 14,069 | 339,591 | - | - | 2,698,119 |

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: the amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Composition of collateral for CCR exposure

| | Collateral used in derivative transactions | | | | Collateral used in SFTs | |
|--------------------------|--|--------------|-------------------|--------------|-------------------------|-------------------|
| | Collateral Received | | Collateral Posted | | Collateral | |
| | Segregated | Unsegregated | Segregated | Unsegregated | Received | Collateral Posted |
| Cash – domestic currency | - | - | - | - | - | - |
| Cash – other currencies | - | - | - | - | - | - |
| Domestic sovereign debt | - | - | - | - | 14,922,000 | - |
| Other sovereign debt | - | - | - | - | - | - |
| Government agency bonds | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collaterals | - | - | - | - | - | - |
| Total | - | - | - | - | 14,922,000 | - |

Credit Derivative Exposures

| | Protection bought | Protection bought | Protection |
|----------------------------------|-------------------|-------------------|------------|
| | Protection sold | Protection sold | sold |
| Nominal | | | |
| Single-name credit default swaps | | 125,000 | 144,000 |
| Index credit default swaps | | - | - |
| Total return swaps | | - | - |
| Credit options | | - | - |
| Other credit derivatives | | - | - |
| Total notionals | | - | - |
| Fair values | | | |
| Positive fair value (asset) | | 8,208 | - |
| Negative fair value (liability) | | - | 11,767 |

Exposures to Central Counterparties

None.

Explanations Related to Market Risk

| | RWA |
|---|----------------|
| Outright Products | 400,563 |
| 1. Interest Rate Risk (general ve spesifik) | 205,063 |
| 2. Equity Risk (general ve spesifik) | - |
| 3. Foreign Exchange Risk | 195,500 |
| 4. Commodity Risk | - |
| Options | 3,875 |
| 5. Simplified Approach | - |
| 6. Delta-plus Method | 3,875 |
| 7. Scenario Approach | - |
| 8. Securitisation | - |
| 9. Total | 404,438 |

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

SECTION FIVE

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

| | Current Period | | Prior Period | |
|--|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Cash | 1,310,173 | 342,228 | 1,157,743 | 277,106 |
| Central Bank of the Republic of Turkey (*) | 1,635,623 | 22,248,382 | 778,712 | 19,055,634 |
| Other | 243,752 | 18,697 | 197,525 | 18,069 |
| Total | 3,189,548 | 22,609,307 | 2,133,980 | 19,350,809 |

(*) TL 20,338,916 (31 December 2015: TL 18,422,690) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 5% to 11.5% (31 December 2015: ranging from 5% to 11.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 5% to 25% in US Dollar or Euro (31 December 2015: ranging from 5% to 25%).

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

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

Balances with the Central Bank of Republic of Turkey

| | Current Period | | Prior Period | |
|------------------------------|------------------|-------------------|----------------|-------------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposits | 1,609,275 | 1,519,456 | 760,146 | 632,944 |
| Unrestricted Time Deposits | - | - | - | - |
| Restricted Time Deposits | - | 390,010 | 105 | - |
| Reserve Deposits | 26,348 | 20,338,916 | 18,461 | 18,422,690 |
| Total | 1,635,623 | 22,248,382 | 778,712 | 19,055,634 |

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

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

None.

Trading securities subject to repurchase agreements

None.

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Positive differences on derivative financial assets held for trading purpose

| | Current Period | | Prior Period | |
|----------------------|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Forward Transactions | 8,253 | 164 | 2,087 | 624 |
| Swap Transactions | 806,452 | 168,004 | 737,149 | 145,264 |
| Futures | - | - | - | - |
| Options | 391 | 222 | 103 | 240 |
| Other | - | - | - | - |
| Total | 815,096 | 168,390 | 739,339 | 146,128 |

3. Information on banks

| | Current Period | | Prior Period | |
|--------------------------------------|----------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Banks | 32,025 | 4,331,573 | 370,201 | 4,864,065 |
| Domestic | 32,025 | 60,818 | 370,201 | 269,123 |
| Foreign | - | 4,270,755 | - | 4,594,942 |
| Foreign Head Offices and Branches | - | - | - | - |
| Total | 32,025 | 4,331,573 | 370,201 | 4,864,065 |

4. Information on available-for-sale financial assets

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

| | Current Period | | Prior Period | |
|--|----------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Share Certificates | - | - | - | - |
| Bonds, Treasury Bills and Similar Marketable Securities | 970,331 | 1,511,601 | 1,571,646 | 1,516,438 |
| Other | - | - | - | - |
| Total | 970,331 | 1,511,601 | 1,571,646 | 1,516,438 |

Available-for-sale financial assets subject to repurchase agreements

| | Current Period | | Prior Period | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Government Bonds | 6,510,532 | - | 3,621,980 | - |
| Treasury Bills | - | - | - | - |
| Other Debt Securities | - | 2,209,897 | - | 2,647,350 |
| Bonds Issued or Guaranteed by Banks | - | - | - | - |
| Asset Backed Securities | - | - | - | - |
| Total | 6,510,532 | 2,209,897 | 3,621,980 | 2,647,350 |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on available-for-sale financial assets

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Debt securities | 17,293,876 | 16,870,435 |
| Quoted on a Stock Exchange | 17,293,876 | 16,870,435 |
| Unquoted | - | - |
| Equity securities | 22,427 | 79,253 |
| Quoted on a Stock Exchange | - | - |
| Unquoted | 22,427 | 79,253 |
| Provision for impairment on available-for-sale financial assets (-) | 32,368 | 175,719 |
| Total | 17,283,935 | 16,773,969 |

5. Information on loans

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

| | Current Period | | Prior Period | |
|--|----------------|---------------|----------------|---------------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct loans provided to the shareholders | - | 29,957 | - | 28,550 |
| Legal entities | - | 29,957 | - | 28,550 |
| Real persons | - | - | - | - |
| Indirect loans provided to the shareholders | - | - | - | - |
| Loans provided to the employees | 111,687 | - | 102,886 | - |
| Total | 111,687 | 29,957 | 102,886 | 28,550 |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

| Cash Loan | Standard loans and other receivables | | | Loans and other receivables under close monitoring | | |
|---------------------------------|--------------------------------------|-------------------------------|----------------|--|-------------------------------|------------------|
| | Loans and other receivables | Agreement conditions modified | | Loans and other receivables | Agreement conditions modified | |
| | | Payment plan extensions | Other | | Payment plan extensions | Other |
| | Non-specialized loans | 121,827,097 | 856,560 | - | 5,291,830 | 1,323,214 |
| Loans given to enterprises | 35,396,826 | 375,890 | - | 1,623,743 | 1,029,602 | - |
| Export loans | 4,917,649 | - | - | 154,031 | 5,522 | - |
| Import loans | - | - | - | - | - | - |
| Loans given to financial sector | 2,051,253 | - | - | 1,519 | - | - |
| Consumer loans | 32,826,892 | 142,278 | - | 1,580,121 | 240,499 | - |
| Credit cards | 5,146,807 | - | - | 381,331 | 11,501 | - |
| Other | 41,487,670 | 338,392 | - | 1,551,085 | 36,090 | - |
| Specialized lending | 1,235 | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| Total | 121,828,332 | 856,560 | - | 5,291,830 | 1,323,214 | - |

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

| Number of modifications to extend payment plans | Standard Loans and Other Receivables (*) | Loans and other receivables under close monitoring (*) |
|---|--|--|
| Extended for 1 or 2 times | 856,560 | 993,595 |
| Extended for 3,4 or 5 times | - | - |
| Extended for more than 5 times | - | - |

| Extended period of time | Standard Loans and Other Receivables (*) | Loans and other receivables under close monitoring (*) |
|-------------------------|--|--|
| 0-6 Months | 6,391 | 2,055 |
| 6 - 12 Months | 395 | 3,235 |
| 1-2 Years | 14,713 | 9,354 |
| 2-5 Years | 514,564 | 282,188 |
| 5 Years and Over | 320,497 | 696,763 |

(*) The above tables include the change in the payment plans of standard and under close monitoring loans and other receivables after 28 May 2011.

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

| | Short-Term | Medium and Long-Term | Total |
|--|------------------|----------------------|-------------------|
| Consumer Loans – TL | 395,578 | 32,293,107 | 32,688,685 |
| Housing Loans | 8,899 | 16,161,436 | 16,170,335 |
| Automobile Loans | 5,477 | 471,370 | 476,847 |
| General Purpose Loans | 381,202 | 15,660,301 | 16,041,503 |
| Other | - | - | - |
| Consumer Loans – FC indexed | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans – FC | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Retail Credit Cards – TL | 3,925,181 | 83,585 | 4,008,766 |
| With Installment | 1,670,293 | 75,828 | 1,746,121 |
| Without Installment | 2,254,888 | 7,757 | 2,262,645 |
| Retail Credit Cards – FC | 11,281 | - | 11,281 |
| With Installment | - | - | - |
| Without Installment | 11,281 | - | 11,281 |
| Personnel Loans – TL | 3,676 | 50,352 | 54,028 |
| Housing Loan | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 3,676 | 50,352 | 54,028 |
| 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 | 57,063 | 196 | 57,259 |
| With Installment | 23,295 | 176 | 23,471 |
| Without Installment | 33,768 | 20 | 33,788 |
| Personnel Credit Cards – FC | 400 | - | 400 |
| With Installment | - | - | - |
| Without Installment | 400 | - | 400 |
| Overdraft Checking Accounts – TL (Real persons) | 2,046,980 | - | 2,046,980 |
| Overdraft Checking Accounts – FC (Real persons) | 97 | - | 97 |
| Total | 6,440,256 | 32,427,240 | 38,867,496 |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Installment based commercial loans and corporate credit cards

| | Short-Term | Medium and Long-Term | Total |
|--|------------------|----------------------|-------------------|
| Installment-based Commercial Loans – TL | 948,928 | 23,434,123 | 24,383,051 |
| Real Estate Loans | 3,977 | 932,383 | 936,360 |
| Automobile Loans | 76,592 | 1,609,986 | 1,686,578 |
| General Purpose Loans | 868,359 | 20,891,754 | 21,760,113 |
| Other | - | - | - |
| Installment-based Commercial Loans – FC indexed | 28,082 | 1,271,200 | 1,299,282 |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 28,082 | 1,271,200 | 1,299,282 |
| Other | - | - | - |
| Installment-based Commercial Loans – FC | 9,168 | 5,627,227 | 5,636,395 |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 9,168 | 5,545,549 | 5,554,717 |
| Other | - | 81,678 | 81,678 |
| Corporate Credit Cards – TL | 1,461,402 | 246 | 1,461,648 |
| With Installment | 489,926 | 246 | 490,172 |
| Without Installment | 971,476 | - | 971,476 |
| Corporate Credit Cards – FC | 285 | - | 285 |
| With Installment | - | - | - |
| Without Installment | 285 | - | 285 |
| Overdraft Checking Accounts – TL (Corporate) | 1,061,085 | - | 1,061,085 |
| Overdraft Checking Accounts – FC (Corporate) | - | - | - |
| Total | 3,508,950 | 30,332,796 | 33,841,746 |

Allocation of domestic and overseas loans

| | Current Period | Prior Period |
|----------------|--------------------|--------------------|
| Domestic Loans | 128,937,743 | 122,622,462 |
| Foreign Loans | 362,193 | 352,016 |
| Total | 129,299,936 | 122,974,478 |

Loans to associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|----------------|
| Direct Loans Provided to the Subsidiaries and Associates | 157,935 | 145,876 |
| Indirect Loans Provided to the Subsidiaries and Associates | - | - |
| Total | 157,935 | 145,876 |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Specific provisions for loans

| | Current Period | Prior Period |
|--|------------------|------------------|
| Loans and Receivables with Limited Collectability | 137,066 | 96,407 |
| Loans and Receivables with Doubtful Collectability | 406,227 | 386,298 |
| Uncollectible Loans and Receivables | 3,946,965 | 3,561,333 |
| Total | 4,490,258 | 4,044,038 |

Information on non-performing loans (Net)

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

| | Group III | Group IV | Group V |
|--|---|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Current period (Gross amounts before the specific reserves) | 61,279 | 131,279 | 62,580 |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 61,279 | 131,279 | 62,580 |
| Prior period (Gross amounts before the specific reserves) | 51,611 | 88,881 | 59,591 |
| Loans and other receivables which are restructured | - | - | - |
| Rescheduled loans and other receivables | 51,611 | 88,881 | 59,591 |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movements in non-performing loan groups

| | Group III | Group IV | Group V |
|---|---|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Balance at the beginning of the period | 482,035 | 772,154 | 3,596,024 |
| Additions (+) | 1,216,800 | 4,951 | 13,431 |
| Transfers from other categories of loans under follow-up (+) | - | 880,988 | 726,382 |
| Transfers to other categories of loans under follow-up (-) ^(*) | 886,994 | 716,339 | 119,206 |
| Collections (-) | 126,511 | 129,567 | 244,130 |
| 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 | 685,330 | 812,187 | 3,972,501 |
| Specific provision (-) ^(**) | 137,066 | 406,227 | 3,946,965 |
| Net balance | 548,264 | 405,960 | 25,536 |

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

(**) As of 30 June 2016, the Bank reserved 100% provision for TL 8,512 after the date it was placed in the 5th group, which is the remaining portion of non-performing loans of TL 34,048 given to a group when guarantees are taken into consideration.

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

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

| | Group III | Group IV | Group V |
|-------------------------------------|---|---|--|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Current Period | | | |
| Balance at the end of the period | 11,711 | 14,548 | 213,725 |
| Specific provision (-) | 2,342 | 7,274 | 213,725 |
| Net balance on balance sheet | 9,369 | 7,274 | - |
| Prior Period | | | |
| Balance at the end of the period | 15,261 | 88,082 | 198,835 |
| Specific provision (-) | 3,052 | 44,041 | 198,835 |
| Net balance on balance sheet | 12,209 | 44,041 | - |

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

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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 and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| Current Period (Net) | 548,264 | 405,960 | 25,536 |
| Consumer and Commercial Loans (Gross) | 678,486 | 799,458 | 3,891,809 |
| Specific Provision (-) | 135,697 | 399,862 | 3,866,273 |
| Consumer and Commercial Loans (Net) | 542,789 | 399,596 | 25,536 |
| Banks (Gross) | - | - | 1,551 |
| Specific Provision (-) | - | - | 1,551 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 6,844 | 12,729 | 79,141 |
| Specific Provision (-) | 1,369 | 6,365 | 79,141 |
| Other Loans and Receivables (Net) | 5,475 | 6,364 | - |
| Prior Period (Net) | 385,628 | 385,856 | 34,691 |
| Consumer and Commercial Loans (Gross) | 475,614 | 762,956 | 3,523,032 |
| Specific Provision (-) | 95,123 | 381,699 | 3,488,341 |
| Consumer and Commercial Loans (Net) | 380,491 | 381,257 | 34,691 |
| Banks (Gross) | - | - | 1,551 |
| Specific Provision (-) | - | - | 1,551 |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | 6,421 | 9,198 | 71,441 |
| Specific Provision (-) | 1,284 | 4,599 | 71,441 |
| Other Loans and Receivables (Net) | 5,137 | 4,599 | - |

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

| | Current Period | | Prior Period | |
|--------------------------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Government Bonds | 7,587,748 | - | 7,546,748 | - |
| Treasury Bills | - | - | - | - |
| Other Securities Issued by the | - | - | - | - |
| Total | 7,587,748 | - | 7,546,748 | - |

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on held-to-maturity investment securities

| | Current Period | Prior Period |
|------------------------------|------------------|------------------|
| Debt Securities | 7,753,333 | 7,683,950 |
| Quoted at Stock Exchanges | 7,594,886 | 7,552,969 |
| Unquoted at Stock Exchanges | 158,447 | 130,981 |
| Impairment Losses (-) | 7,138 | 6,221 |
| Total | 7,746,195 | 7,677,729 |

The movement table of the held-to-maturity investments

| | Current Period | Prior Period |
|---|------------------|------------------|
| Balances at the beginning of the period | 7,677,729 | 6,854,593 |
| Foreign currency differences on monetary assets | (1,779) | 44,702 |
| Purchases during the period | 1,042,305 | 1,610,704 |
| Transfers to available for sale portfolio | - | - |
| Disposals through sales/redemptions | (1,105,605) | (1,129,187) |
| Impairment losses | (917) | (366) |
| Change in amortized costs of the securities (*) | 134,462 | 297,283 |
| Balances at the end of the period | 7,746,195 | 7,677,729 |

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

Information on held-to-maturity investments

| Current Period | Cost | | Carrying Value | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Collateralized/blocked investment securities | 917,935 | 158,400 | 992,043 | 158,447 |
| Investments subject to repurchase agreements | 5,738,771 | - | 6,470,716 | - |
| Held for structural position | - | - | - | - |
| Receivable from security borrowing markets | - | - | - | - |
| Collateral for security borrowing markets | - | - | - | - |
| Other (*) | 111,164 | - | 124,989 | - |
| Total | 6,767,870 | 158,400 | 7,587,748 | 158,447 |

| Prior Period | Cost | | Carrying Value | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Collateralized/blocked investment securities | 495,970 | 130,950 | 527,655 | 130,981 |
| Investments subject to repurchase agreements | 5,428,798 | - | 6,050,350 | - |
| Held for structural position | - | - | - | - |
| Receivable from security borrowing markets | - | - | - | - |
| Collateral for security borrowing markets | - | - | - | - |
| Other (*) | 935,631 | - | 968,743 | - |
| Total | 6,860,399 | 130,950 | 7,546,748 | 130,981 |

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

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

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/NCTR | 15.00 | 15.00 |
| 2 Türkiye Sınai Kalkınma Bankası A.Ş. | İstanbul/Turkey | 8.38 | 8.38 |
| 3 Roketsan Roket Sanayi ve Ticaret A.Ş. (*) | Ankara/ Turkey | 9.93 | 9.93 |
| 4 Bankalararası Kart Merkezi A.Ş. | İstanbul/ Turkey | 9.70 | 9.70 |
| 5 KKB Kredi Kayıt Bürosu A.Ş. (*) | İstanbul/ Turkey | 9.09 | 9.09 |
| 6 Güçbirliği Holding A.Ş. (*) | İzmir/ Turkey | 0.07 | 0.07 |
| 7 İzmir Enternasyonel Otelcilik A.Ş. | İstanbul/ Turkey | 5.00 | 5.00 |
| 8 İstanbul Takas ve Saklama Bankası A.Ş. (*) | İstanbul/Turkey | 4.37 | 4.37 |
| 9 Kredi Garanti Fonu A.Ş. (*) | Ankara/ Turkey | 1.69 | 1.69 |
| 10 Tasfiye Halinde World Vakıf UBB Ltd. (*) | Lefkoşa/NCTR | 82.00 | 85.25 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|----|-----------------|-----------|--------------------|--------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------|
| 1 | 848,463 | 80,228 | 6,568 | 16,978 | 774 | 1,318 | 2,861 | - |
| 2 | 22,549,270 | 3,013,167 | 757,493 | 488,702 | 175,868 | 239,178 | 192,087 | 2,719,533 |
| 3 | 3,165,539 | 851,406 | 522,661 | 6,013 | - | 47,048 | 6,389 | - |
| 4 | 68,992 | 39,246 | 47,932 | 383 | - | 9,586 | 5,165 | - |
| 5 | 152,693 | 118,976 | 95,290 | 1,050 | - | 5,766 | 9,994 | - |
| 6 | 135,543 | (31,750) | 88,035 | 143 | - | 413 | (6,563) | - |
| 7 | 105,572 | (2,185) | 88,226 | - | - | (2,556) | (15,490) | - |
| 8 | 7,509,099 | 897,052 | 102,758 | 76,732 | 2,715 | 65,580 | 42,632 | - |
| 9 | 308,902 | 300,701 | 6,117 | 3,010 | - | 1,710 | 5,828 | - |
| 10 | 1,327 | (77,918) | - | - | - | (2,139) | (1,554) | - |

(*) The financial statements for these associates as at and for the period ended 31 March 2016 are presented.

**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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in associates

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Balance at the beginning of the period | 270,290 | 305,469 |
| Movements during the period | 14,247 | (35,179) |
| Transfers | - | - |
| Acquisitions and capital increases | - | - |
| Bonus shares received | 29,632 | 21,453 |
| Income/loss from investments under equity accounting | - | - |
| Sales and liquidations | - | - |
| Fair value changes | (15,385) | (56,632) |
| Impairment losses | - | - |
| Balance at the end of the period | 284,537 | 270,290 |
| Capital commitments | - | - |
| Share percentage at the end of the period (%) | - | - |

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

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

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 1,500,000 to TL 1,750,000 in the Ordinary Meeting of General Assembly of the Company dated 26 March 2015, the share of the Bank amounting to TL 20,944 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision of the capital of Kredi Garanti Fonu A.Ş. in the Ordinary Meeting of General Assembly of the Company dated 31 March 2015, an associate of the Bank, has been increased from TL 240,000 to TL 278,439, TL 29,000 is paid from company’s own resources and TL 9,439 is paid cash by two new shareholders and registered to commercial register on 10 April 2015. After the capital increase, Bank’s current nominal share has been increased from TL 4,211 to TL 4,719 by a bonus increase of TL 509 and Bank’s share percentage will be decreased from 1.75% to 1.69% after the involvement of two shareholders as at 10 April 2015. The share of the Bank amounting to TL 509 is presented as bonus shares received in the movement table of investments in associates.

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

The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on 27 August 2013. Thus, the company’s title has been changed as “World Vakıf UBB Ltd in Liquidation”.

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 INTERIM FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Sectoral distribution of investments in financial associates

| | Current Period | Prior Period |
|---------------------|-----------------------|---------------------|
| Banks | 268,418 | 254,171 |
| Insurance companies | - | - |
| Factoring companies | - | - |
| Leasing companies | - | - |
| Finance companies | - | - |
| Other associates | 4,719 | 4,719 |
| Total | 273,137 | 258,890 |

Quoted associates

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Quoted at domestic stock exchanges | 227,897 | 218,150 |
| Quoted at international stock exchanges | - | - |
| Total | 227,897 | 218,150 |

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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries

Information on financial subsidiaries

| | Vakıfbank International AG | Vakıf Finansal Kiralama AŞ | Vakıf Yatırım Menkul Değerler AŞ | Vakıf Faktoring AŞ | Güneş Sigorta AŞ | Vakıf Emeklilik AŞ | Vakıf Portföy Yönetimi AŞ | Vakıf Gayrimenkul Yat. Ort. AŞ | Vakıf Menkul Kıymet Yat. Ort. AŞ |
|--|----------------------------------|----------------------------------|---|-----------------------|---------------------|-----------------------|---------------------------------|--------------------------------------|---|
| Paid in Capital | 114,483 | 87,000 | 35,000 | 22,400 | 150,000 | 26,500 | 3,000 | 213,000 | 20,000 |
| Share Premium | - | - | - | - | - | - | - | 246,731 | - |
| Other Capital Reserves | - | 329 | (260) | 28,926 | (1,748) | 6,855 | 46 | 21,616 | 59 |
| Securities Value Increase Fund | 33,669 | 2,680 | 48,880 | 283 | 232,950 | 404 | - | - | - |
| Tangible Assets' Value Increase From Revaluation | - | 15,105 | - | - | 193,339 | 50,005 | - | 547 | - |
| Associates And Subsidiaries Bonus Shares | - | - | - | - | 59 | 191 | - | - | - |
| Legal Reserves | 8,824 | 5,110 | 5,644 | 5,824 | 17,179 | 18,385 | 965 | 6,390 | 395 |
| Extraordinary Reserves | - | 33,398 | 7,368 | 48,296 | 19,247 | 68,476 | 10,577 | 97,360 | - |
| Other Profit Reserves | 174,024 | - | 2,308 | - | - | - | - | - | - |
| Profit/Loss | 121,985 | 10,166 | (1,029) | 8,485 | (430,968) | 77,070 | 3,157 | 12,424 | (3,028) |
| <i>Prior Period's Profit/Loss</i> | 107,256 | - | (4,587) | - | (384,215) | 82,533 | - | 1,015 | (2,771) |
| <i>Current Period's' Profit/Loss</i> | 14,729 | 10,166 | 3,558 | 8,485 | (46,753) | (5,463) | 3,157 | 11,409 | (257) |
| Minority Rights | - | 66 | - | - | - | - | - | - | - |
| Total Core Capital | 452,985 | 153,854 | 97,911 | 114,214 | 180,058 | 247,886 | 17,745 | 598,068 | 17,426 |
| SUPPLEMENTARY CAPITAL | - | - | - | - | - | - | - | - | - |
| CAPITAL | 452,985 | 153,854 | 97,911 | 114,214 | 180,058 | 247,886 | 17,745 | 598,068 | 17,426 |
| NET AVAILABLE EQUITY | 452,985 | 153,854 | 97,911 | 114,214 | 180,058 | 247,886 | 17,745 | 598,068 | 17,426 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Bank, calculates capital adequacy in accordance with Serial:V, No: 34 numbered “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of CMB every six month. Güneş Sigorta AŞ ve Vakıf Emeklilik AŞ that operate in insurance business calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury every six month. According to the calculations at 30 June 2016, 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 A.Ş. (*) | İstanbul/Turkey | 36.35 | 36.35 |
| 2 Vakıf Emeklilik A.Ş. | İstanbul/ Turkey | 53.90 | 75.30 |
| 3 Vakıf Faktoring A.Ş. | İstanbul/ Turkey | 78.39 | 86.99 |
| 4 Vakıf Finansal Kiralama A.Ş. (*) | İstanbul/ Turkey | 58.71 | 64.40 |
| 5 Vakıf Yatırım Menkul Değerler A.Ş. (*) | İstanbul/ Turkey | 99.00 | 99.44 |
| 6 Vakıfbank International AG | Vienna/AUSTRIA | 90.00 | 90.00 |
| 7 Vakıf Portföy Yönetimi A.Ş. | İstanbul/ Turkey | 100.00 | 100.00 |
| 8 Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. (*) | İstanbul/ Turkey | 22.89 | 32.91 |
| 9 Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (*) | İstanbul/ Turkey | 38.70 | 40.64 |
| 10 Vakıf Enerji ve Madencilik A.Ş. (**) | Ankara/ Turkey | 65.50 | 84.96 |
| 11 Taksim Otelcilik A.Ş. | İstanbul/ Turkey | 51.00 | 51.52 |
| 12 Vakıf Pazarlama Sanayi ve Ticaret A.Ş. (**) | İstanbul/ Turkey | 69.33 | 74.98 |
| 13 Vakıf Gayrimenkul Değerleme A.Ş. (*) | Ankara/ Turkey | 54.29 | 58.57 |

| | Total Assets | Equity | Tangible Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/(Loss) | Prior Period Profit/(Loss) | Company's Fair Value |
|----|-----------------|---------|--------------------|--------------------|--------------------------------------|------------------------------------|-------------------------------|-------------------------|
| 1 | 1,298,027 | 60,671 | 324,072 | 22,142 | 498 | (70,144) | (82,678) | 206,845 |
| 2 | 4,788,345 | 223,874 | 108,872 | 16,662 | 69 | 24,589 | 14,197 | 704,475 |
| 3 | 903,230 | 114,213 | 2,710 | 50,048 | - | 8,485 | 6,509 | 79,300 |
| 4 | 1,500,364 | 153,857 | 19,874 | 54,336 | - | 10,167 | 10,953 | 106,927 |
| 5 | 238,543 | 97,910 | 1,436 | 6,389 | 119 | 3,558 | (6,761) | 86,700 |
| 6 | 2,977,212 | 417,327 | 993 | 39,263 | 8,658 | 14,361 | 20,372 | 462,470 |
| 7 | 18,655 | 17,745 | 182 | 976 | 43 | 3,157 | 1,462 | 56,300 |
| 8 | 18,900 | 17,426 | 44 | 169 | 598 | (256) | 227 | 16,582 |
| 9 | 950,490 | 833,986 | 517,258 | 16,023 | - | 11,431 | 15,083 | 478,003 |
| 10 | 25,326 | 5,636 | 1,042 | 690 | - | (2,266) | (711) | 14,100 |
| 11 | 366,589 | 352,422 | 239,791 | 4,357 | - | 1,412 | 14 | 364,500 |
| 12 | 51,313 | 42,516 | 723 | 3,351 | 57 | 3,587 | 3,861 | 53,100 |
| 13 | 31,432 | 26,260 | 315 | 1,633 | - | 1,107 | 1,499 | 40,200 |

(*) The financial statements for these subsidiaries as at and for the period ended 31 March 2016 are presented.

(**) The financial statements for these subsidiaries as at and for the period ended 31 December 2015 are presented.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in subsidiaries

| | Current Period | Prior Period |
|--|------------------|------------------|
| Balance at the beginning of the period | 1,604,319 | 1,431,513 |
| Movements during the period | (23,571) | 172,806 |
| Transfers | - | - |
| Acquisitions and capital increases | - | - |
| Bonus shares received | 15,858 | 4,605 |
| Dividends from current year profit | (1,694) | (26,186) |
| Sales and liquidations | - | - |
| Fair value changes | (38,659) | 163,959 |
| Impairment losses | 924 | 30,428 |
| Balance at the end of the period | 1,580,748 | 1,604,319 |
| Capital commitments | - | - |
| Share percentage at the end of the period | - | - |

Methods to measure investments in subsidiaries

| | Current Period | Prior Period |
|-----------------------------|------------------|------------------|
| Measured at cost | - | - |
| Measured at fair value | 1,580,748 | 1,604,319 |
| Equity method of accounting | - | - |
| Total | 1,580,748 | 1,604,319 |

Sectoral distribution of investments in financial subsidiaries

| | Current Period | Prior Period |
|------------------------------|------------------|------------------|
| Insurance companies | 454,900 | 480,532 |
| Banks | 416,223 | 434,144 |
| Factoring companies | 62,163 | 62,163 |
| Leasing companies | 62,777 | 45,681 |
| Finance companies | - | - |
| Other financial subsidiaries | 330,916 | 327,650 |
| Total | 1,326,979 | 1,350,170 |

Quoted subsidiaries

| | Current Period | Prior Period |
|---|----------------|----------------|
| Quoted at domestic stock exchanges | 326,748 | 330,703 |
| Quoted at international stock exchanges | - | - |
| Total | 326,748 | 330,703 |

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Investments in subsidiaries acquired during the period

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

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

In the prior period, the title of Vakıf Finans Factoring Hizmetleri A.Ş. has been changed to Vakıf Faktoring A.Ş., the aforementioned change of title has been registered on 13 April 2015.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. from TL 203,320 to TL 205,400 by a bonus increase of TL 2,080 in the Ordinary Meeting of General Assembly of the Company dated 31 March 2015. After the capital increase, Bank’s current nominal share has been increased from TL 78,690 to TL 79,495 by bonus increase of TL 805 and Bank’s share percentage has been remained the same 38.70%. The share of the Bank amounting to TL 805 is presented as bonus shares received in the movement table of investments in subsidiaries.

In the prior period, in total full TL 12 nominal share of Vakıf Portföy A.Ş. has been purchased by Bank from other real person shareholders and Bank has signed share transfer contract with real person shareholders on 11 February 2015. Thus, Bank’s nominal share has been increased from full TL 2,999,988 to full TL 3,000,000. Bank’s share percentage has been increased from 99.99% to 100.00%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Değerleme A.Ş. from TL 7,000 to TL 14,000 by a bonus increase of TL 7,000 in the Ordinary Meeting of General Assembly of the Company dated 20 March 2015. After the capital increase, Bank’s current nominal share has been increased from TL 3,800 to TL 7,600 by TL 3,800 and Bank’s share percentage has been remained the same 54.29%. The share of the Bank amounting to TL 3,800 is presented as bonus shares received in the movement table of investments in subsidiaries.

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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

13. Information on deferred tax assets

As at 30 June 2016 and 31 December 2015, items generating deferred tax assets or liabilities are listed below:

| | Current period | Prior Period |
|--|------------------|------------------|
| Deferred tax assets: | 223,618 | 232,350 |
| Provision for employee termination benefits and unused vacations | 94,440 | 87,096 |
| Other provisions | 45,941 | 45,287 |
| Valuation differences of associates and subsidiaries | 23,456 | 23,456 |
| Valuation differences of financial assets and liabilities | 49,860 | 67,439 |
| BRSA - Tax Code depreciation differences | 8,091 | 7,252 |
| Other | 1,830 | 1,820 |
| Deferred tax liabilities: | (146,307) | (216,929) |
| Valuation differences of financial assets and liabilities | (70,938) | (127,392) |
| Valuation differences of associates and subsidiaries | (46,519) | (60,671) |
| Valuation differences of properties | (28,850) | (28,866) |
| Deferred tax assets/(liabilities), net | 77,311 | 15,421 |

As at 30 June 2016 and 31 December 2015, items generating deferred tax assets or liabilities movement table is listed below:

| | Cari Dönem | Önceki Dönem |
|---|---------------|---------------|
| As of 1 January | 15,421 | 72,437 |
| Deferred tax income/loss | 136,248 | (135,874) |
| Deferred tax that is accounted under Equity | (74,358) | 78,858 |
| Deferred tax asset/(liability) | 77,311 | 15,421 |

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

As at 30 June 2016 assets held for sale and assets related to the discontinued operations amount to TL 1,081,559 (31 December 2015: TL 994,964).

15. Information on other assets

As at 30 June 2016 and 31 December 2015 other assets are as follows:

| | Current period | Prior Period |
|---|------------------|------------------|
| Receivables from credit card payments | 992,993 | 923,489 |
| Guarantees given for derivative financial instruments | 786,911 | 501,035 |
| Prepaid expenses | 566,679 | 578,292 |
| Receivables from term sale of assets | 29,040 | 44,567 |
| Guarantees given for repurchase agreements | - | 143,978 |
| Other | 195,027 | 479,469 |
| Total | 2,570,650 | 2,670,830 |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity profile of deposits

| Current Period | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulating Deposit Accounts | Total |
|-------------------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|--------------------|-------------------------------------|--------------------|
| Saving Deposits | 5,567,017 | - | 448,833 | 24,950,957 | 1,891,141 | 299,677 | 131,089 | - | 33,288,714 |
| Foreign Currency | | | | | | | | | |
| Deposits | 4,842,112 | - | 2,109,503 | 16,353,640 | 1,674,067 | 801,027 | 3,560,804 | - | 29,341,153 |
| Residents in Turkey | 4,478,770 | - | 2,066,095 | 16,113,978 | 1,448,599 | 542,372 | 892,054 | - | 25,541,868 |
| Residents Abroad | 363,342 | - | 43,408 | 239,662 | 225,468 | 258,655 | 2,668,750 | - | 3,799,285 |
| Public Sector Deposits | 5,068,009 | - | 4,059,943 | 7,280,632 | 702,191 | 1,788,994 | 218,474 | - | 19,118,243 |
| Commercial Deposits | 2,432,032 | - | 4,923,488 | 7,402,929 | 1,414,303 | 183,009 | 4,041 | - | 16,359,802 |
| Other | 3,881,360 | - | 1,264,977 | 2,706,492 | 826,587 | 50,015 | 25,908 | - | 8,755,339 |
| Precious Metal | | | | | | | | | |
| Deposits | 512,741 | - | - | - | - | - | - | - | 512,741 |
| Bank Deposits | 343,561 | - | 4,426,577 | 1,309,786 | 340,165 | 129,723 | 207,813 | - | 6,757,625 |
| Central Bank | 1,927 | - | - | - | - | - | - | - | 1,927 |
| Domestic Banks | 27,014 | - | 4,232,894 | 1,048,709 | 245,049 | 19,087 | 4,103 | - | 5,576,856 |
| Foreign Banks | 194,351 | - | 193,683 | 261,077 | 95,116 | 110,636 | 203,710 | - | 1,058,573 |
| Participation Banks | 120,269 | - | - | - | - | - | - | - | 120,269 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 22,646,832 | - | 17,233,321 | 60,004,436 | 6,848,454 | 3,252,445 | 4,148,129 | - | 114,133,617 |

| Prior Period | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulating Deposit Accounts | Total |
|-------------------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|--------------------|-------------------------------------|--------------------|
| Saving Deposits | 4,424,092 | - | 471,519 | 22,041,396 | 1,027,318 | 255,301 | 124,971 | - | 28,344,597 |
| Foreign Currency | | | | | | | | | |
| Deposits | 4,121,923 | - | 3,451,462 | 15,829,234 | 1,474,397 | 912,706 | 3,462,272 | - | 29,251,994 |
| Residents in Turkey | 3,850,977 | - | 3,448,531 | 15,546,772 | 1,235,166 | 611,274 | 942,705 | - | 25,635,425 |
| Residents Abroad | 270,946 | - | 2,931 | 282,462 | 239,231 | 301,432 | 2,519,567 | - | 3,616,569 |
| Public Sector Deposits | 4,504,470 | - | 4,869,059 | 6,958,081 | 843,503 | 1,879,924 | 205,243 | - | 19,260,280 |
| Commercial Deposits | 2,464,867 | - | 3,737,839 | 11,417,347 | 161,445 | 50,949 | 1,336 | - | 17,833,783 |
| Other | 3,751,277 | - | 1,772,094 | 3,170,500 | 242,340 | 41,669 | 25,525 | - | 9,003,405 |
| Precious Metal | | | | | | | | | |
| Deposits | 625,592 | - | - | - | - | - | - | - | 625,592 |
| Bank Deposits | 385,739 | - | 3,804,547 | 918,327 | 230,210 | 118,489 | 145,571 | - | 5,602,883 |
| Central Bank | 1,116 | - | - | - | - | - | - | - | 1,116 |
| Domestic Banks | 6,477 | - | 3,645,258 | 553,924 | 212,223 | - | - | - | 4,417,882 |
| Foreign Banks | 223,598 | - | 159,289 | 364,403 | 17,987 | 118,489 | 145,571 | - | 1,029,337 |
| Participation Banks | 154,548 | - | - | - | - | - | - | - | 154,548 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 20,277,960 | - | 18,106,520 | 60,334,885 | 3,979,213 | 3,259,038 | 3,964,918 | - | 109,922,534 |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

| | Covered by Deposit Insurance Fund | | Exceeding the Deposit Insurance Limit | |
|--|--------------------------------------|-------------------|--|-------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Saving Deposits | 18,055,649 | 15,480,662 | 15,233,065 | 12,863,935 |
| Foreign Currency Saving Deposits | 4,884,738 | 4,788,666 | 12,124,187 | 11,939,036 |
| Other Saving Deposits | - | - | - | - |
| Foreign Branches' Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Total | 22,940,387 | 20,269,328 | 27,357,252 | 24,802,971 |

Saving deposits out of insurance coverage limits

| | Current Period | Prior Period |
|--|-------------------|-----------------|
| Deposits and other accounts at foreign branches | 20,608 | 24,839 |
| 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 | 4,682 | 5,438 |
| Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004 | - | - |
| Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking | - | - |

2. Information on derivative financial liabilities held for trading purpose

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

| | Current Period | | Prior Period | |
|----------------------|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Forward Transactions | 7,595 | 161 | 1,508 | 594 |
| Swap Transactions | 227,718 | 484,154 | 109,384 | 149,252 |
| Futures | - | - | - | - |
| Options | 11,310 | 1,040 | 28,612 | 239 |
| Other | - | - | - | - |
| Total | 246,623 | 485,355 | 139,504 | 150,085 |

3. Information on banks and other financial institutions

| | Current Period | | Prior Period | |
|--|----------------|-------------------|----------------|-------------------|
| | TL | FC | TL | FC |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Bank and Institutions | 104,438 | 443,836 | 101,625 | 269,158 |
| Foreign Banks, Institutions and Funds | 605,466 | 17,265,979 | 231,158 | 17,954,056 |
| Total | 709,904 | 17,709,815 | 332,783 | 18,223,214 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Maturity information of funds borrowed

| | Current period | | Prior period | |
|-------------------------------------|----------------|-------------------|----------------|-------------------|
| | TL | FC | TL | FC |
| Short-term ^(*) | 306,120 | 1,646,386 | 101,813 | 2,020,325 |
| Medium and Long term ^(*) | 403,784 | 16,063,429 | 230,970 | 16,202,889 |
| Total | 709,904 | 17,709,815 | 332,783 | 18,223,214 |

^(*) 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 10.49% (31 December 2015: 11.17%) of the Bank’s liabilities. There is no risk concentration on funding sources of the Bank.

On 17 April 2015, Vakıfbank has obtained syndicated loan amounting to US Dollar 204 million and Euro 763 million with interest rates of US Libor + 0.80% and Euribor + 0.80% at a maturity of 367 days, with the participation of 35 banks, Wells Fargo Bank N.A., London Branch acting as coordinator and agent bank. On 20 April 2016, the loan has been renewed with a new syndicated loan amounting to US Dollar 207 million and Euro 631.5 million with the interest rate of US Libor + 0.85% and Euribor + 0.75% at a maturity of 367 days with participation of 30 banks, Wells Fargo Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and agent bank.

On 22 September 2014, Vakıfbank has obtained syndicated loan amounting to US Dollar 168.5 million and Euro 528.75 million with interest rates of US Libor + 0.90% and Euribor + 0.90% at a maturity of one year, with the participation of 26 banks, ING Bank, London Branch acting as coordinator and agent bank. On 14 September 2015, the loan has been renewed with a new syndicated loan amounting to US Dollar 168,5 million and Euro 679.5 million with the interest rate of US Libor + 0.75% and Euribor + 0.75% at a maturity of one year with participation of 30 banks, ING Bank, London Branch acting as coordinator and agent bank.

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

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs. 2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme. As at 30 June 2016, total securitization loan amounts to US Dollar 865 million and Euro 260 million.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on securities issued

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

The context of Global Medium Term Notes (GMTN), the Bank has issued 220 private placements with 17 different banks from 2013 June on .This private placements have issued several currencies as of (USD Dollar,Euro,Swiss Frank and Japanese Yen) and the maturities are 3 months, 6months, 1 year and 2 years. Bank has issued Dollar 4,663 million US private placements as of the date of 30 June 2016. The total private placements are Dollar 370 million US as of the same date on.

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

| Current Period | TL | | FC | |
|----------------|------------|------------------|------------|------------------|
| | Short Term | Medium-Long Term | Short Term | Medium-Long Term |
| Nominal | 2,997,436 | - | 918,340 | 7,948,569 |
| Cost | 2,886,840 | - | 918,058 | 7,887,732 |
| Net Book Value | 2,955,457 | - | 919,539 | 7,966,630 |

| Prior Period | TL | | FC | |
|----------------|------------|------------------|------------|------------------|
| | Short Term | Medium-Long Term | Short Term | Medium-Long Term |
| Nominal | 3,197,582 | - | 946,566 | 6,418,184 |
| Cost | 3,068,550 | - | 946,565 | 6,371,968 |
| Net Book Value | 3,128,044 | - | 949,615 | 6,470,100 |

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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

7. Information on provisions

Information on general provisions

| | Current Period | Prior period |
|---|------------------|------------------|
| Provisions for loans and receivables in Group I | 1,702,422 | 1,606,200 |
| -Additional provision for loans with extended payment plans | 28,791 | 26,422 |
| Provisions for loans and receivables in Group II | 249,558 | 231,853 |
| -Additional provision for loans with extended payment plans | 28,845 | 21,057 |
| Provisions for non-cash loans | 116,173 | 106,422 |
| Other | 18,231 | 13,128 |
| Total | 2,086,384 | 1,957,603 |

Provision for currency exchange loss on foreign currency indexed loans

| | Current Period | Prior Period |
|---|----------------|--------------|
| Provision for currency exchange gain/loss on foreign currency indexed loans | 42,675 | 17,160 |

The Bank has recorded provision amounting to TL 42,675 (31 December 2015: TL 17,160) 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 30 June 2016, Bank has recorded TL 46,042 (31 December 2015: TL 40,930) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on other provisions

Information on other provisions exceeding 10% of total provisions

| | Current Period | Prior period |
|--|----------------|----------------|
| Provisions for credits | 182,607 | 182,585 |
| Specific provisions for non-cash loans | 46,042 | 40,930 |
| Provision for cheques | 61,587 | 47,020 |
| Provisions for lawsuits against the Bank | 4,755 | 4,755 |
| Provisions for credit card promotions | 9,152 | 9,100 |
| Other provisions | - | 6,885 |
| Total | 304,143 | 291,275 |

Information on provision for probable risks

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 SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

8. Taxation

Current taxes

Tax provision

As at and for the six month ended 30 June 2016, the tax provision was amounted to TL 435,919 (31 December 2015: TL 403,602). As at 30 June 2016, corporate tax liabilities of the Bank was amounted to TL 104,332 (31 December 2015: TL 171,734), after deducting prepaid taxes paid during temporary tax periods amounted to TL 331,587 (31 December 2015: TL 231,868).

Information on taxes payable

| | Current Year | Prior Year |
|--|----------------|----------------|
| Corporate taxes payable | 331,587 | 231,868 |
| Taxation on securities | 152,407 | 151,721 |
| Capital gains tax on property | 2,730 | 2,451 |
| Taxes on foreign exchange transactions | - | - |
| Banking and Insurance Transaction Tax (BITT) | 86,974 | 76,418 |
| Value added tax payable | 2,621 | 3,754 |
| Other | 20,627 | 22,168 |
| Total | 596,946 | 488,380 |

Information on premiums payable

| | Current Year | Prior Year |
|---|--------------|--------------|
| Social security premiums- employee share | - | - |
| Social security premiums- employer share | - | - |
| Bank pension fund premium- employee share | - | - |
| Bank pension fund premium- employer share | - | - |
| Pension fund membership fees and provisions- employee share | - | - |
| Pension fund membership fees and provisions- employer share | - | - |
| Unemployment insurance- employee share | 791 | 685 |
| Unemployment insurance- employer share | 1,581 | 1,370 |
| Other | - | - |
| Total | 2,372 | 2,055 |

Information on deferred tax liabilities

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

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

10. Information on subordinated loans

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

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

Stated bonds’ total balance sheet value is TL 4,123,828 as of 30 June 2016 (31 December 2015: TL 4,169,474).

11. Information on equity

Paid-in capital

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Associates, subsidiaries and joint ventures | 536,128 | 185,418 | 571,129 | 191,529 |
| Fair value differences of available-for-sale securities | 29,868 | 253,884 | (264,492) | 239,608 |
| Foreign exchange differences | 81,726 | - | 92,639 | - |
| Total | 647,722 | 439,302 | 399,276 | 431,137 |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

| | Current Period | Prior period |
|------------------------------------|-------------------|-------------------|
| Commitments for credit card limits | 8,158,027 | 7,399,361 |
| Loan granting commitments | 8,965,301 | 8,482,816 |
| Commitments for cheque payments | 2,005,128 | 1,805,569 |
| Asset purchase sale commitments | 6,622,542 | 3,843,373 |
| Other | 1,369,583 | 1,231,793 |
| Total | 27,120,581 | 22,762,912 |

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

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

The Bank provided specific provision amounting to TL 131,129 (31 December 2015: TL 97,721) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 46,042 (31 December 2015: TL 40,930).

Final guarantees, provisional guarantees, sureties and similar transactions

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Final letters of guarantee | 9,617,952 | 9,289,202 |
| Letters of guarantee for advances | 3,761,022 | 3,438,136 |
| Letters of guarantee given to custom offices | 1,068,118 | 1,030,530 |
| Provisional letters of guarantee | 1,079,365 | 935,981 |
| Other letters of guarantee | 12,140,329 | 12,096,954 |
| Total | 27,666,786 | 26,790,803 |

2. Non-cash loans

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Non-cash loans given for cash loan risks | 2,009,949 | 2,899,661 |
| <i>With original maturity of 1 year or less</i> | 616,755 | 1,176,515 |
| <i>With original maturity of more than 1 year</i> | 1,393,194 | 1,723,146 |
| Other non-cash loans | 31,585,962 | 30,168,700 |
| Total | 33,595,911 | 33,068,361 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Sectoral risk concentrations of non-cash loans

| | Current Period | | | | Prior Period | | | |
|--------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | TL | % | FC | % | TL | % | FC | % |
| Agricultural | 77,709 | 0.33 | 249,411 | 2.41 | 87,249 | 0.40 | 132,021 | 1.20 |
| Farming and Cattle | 74,273 | 0.32 | 238,545 | 2.31 | 82,686 | 0.37 | 132,021 | 1.20 |
| Forestry | 2,762 | 0.01 | 10,866 | 0.11 | 3,528 | 0.02 | - | - |
| Fishing | 674 | - | - | - | 1,035 | 0.01 | - | - |
| Manufacturing | 9,921,881 | 42.65 | 5,433,234 | 52.57 | 9,811,692 | 44.43 | 5,696,876 | 51.86 |
| Mining | 959,445 | 4.12 | 100,506 | 0.97 | 1,252,878 | 5.67 | 106,628 | 0.97 |
| Production | 6,035,222 | 25.95 | 4,910,210 | 47.51 | 5,526,001 | 25.03 | 5,309,883 | 48.34 |
| Electric, gas and water | 2,927,214 | 12.58 | 422,518 | 4.09 | 3,032,813 | 13.73 | 280,365 | 2.55 |
| Construction | 3,557,353 | 15.29 | 2,044,944 | 19.79 | 3,374,531 | 15.28 | 2,224,897 | 20.25 |
| Services | 8,376,667 | 36.02 | 2,373,187 | 22.96 | 8,030,112 | 36.36 | 2,516,870 | 22.92 |
| Wholesale and retail trade | 3,638,349 | 15.64 | 1,460,932 | 14.14 | 3,444,760 | 15.60 | 1,584,498 | 14.42 |
| Hotel, food and beverage | | | | | | | | |
| Services | 108,314 | 0.47 | 1,600 | 0.02 | 110,961 | 0.50 | 1,218 | 0.01 |
| Transportation and telecommunication | 1,122,624 | 4.83 | 761,545 | 7.37 | 1,172,317 | 5.31 | 736,976 | 6.71 |
| Financial institutions | 2,309,075 | 9.93 | 34,206 | 0.33 | 2,090,603 | 9.47 | 32,774 | 0.30 |
| Real estate and renting | | | | | | | | |
| Services | 336,516 | 1.45 | 34,596 | 0.33 | 325,256 | 1.47 | 33,663 | 0.31 |
| Self-employment services | 584,679 | 2.51 | 73,003 | 0.71 | 610,338 | 2.76 | 110,414 | 1.01 |
| Education services | 18,037 | 0.08 | 2,654 | 0.03 | 23,752 | 0.11 | 4,018 | 0.04 |
| Health and social services | 259,073 | 1.11 | 4,651 | 0.05 | 252,125 | 1.14 | 13,309 | 0.12 |
| Other | 1,327,676 | 5.71 | 233,849 | 2.26 | 780,253 | 3.53 | 413,860 | 3.77 |
| Total | 23,261,286 | 100.00 | 10,334,625 | 100.00 | 22,083,837 | 100.00 | 10,984,524 | 100.00 |

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

| Current Period | Group I | | Group II | |
|---|-------------------|-------------------|----------------|----------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 22,779,991 | 4,437,456 | 272,904 | 48,347 |
| Confirmed Bills of Exchange and Acceptances | 79,693 | 676,228 | - | - |
| Letters of Credit | 2,639 | 5,032,949 | - | 118,343 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Guarantees and Sureties | - | 16,232 | - | - |
| Non-Cash Loans | 22,862,323 | 10,162,865 | 272,904 | 166,690 |

| Prior Period | Group I | | Group II | |
|---|-------------------|-------------------|----------------|---------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 21,714,478 | 4,787,077 | 173,386 | 20,949 |
| Confirmed Bills of Exchange and Acceptances | 86,762 | 1,388,757 | - | - |
| Letters of Credit | 16,306 | 4,761,086 | - | 11,317 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Guarantees | - | - | - | - |
| Other Guarantees and Sureties | - | 10,522 | - | - |
| Non-Cash Loans | 21,817,546 | 10,947,442 | 173,386 | 32,266 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Contingent assets and liabilities

Bank allocates TL 4,755 as provision for lawsuits against the Bank (31 December 2015: TL 4,755).

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.

IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

| | Current Period | | Prior Period | |
|---|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Short-term Loans | 2,106,452 | 75,869 | 1,540,912 | 63,881 |
| Medium and Long-Term Loans | 3,581,429 | 792,624 | 3,043,375 | 676,450 |
| Non-performing Loans | 116,097 | - | 59,227 | - |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| Total | 5,803,978 | 868,493 | 4,643,514 | 740,331 |

Information on interest income received from banks

| | Current Period | | Prior Period | |
|------------------------------------|----------------|---------------|--------------|--------------|
| | TL | FC | TL | FC |
| Central Bank of Republic of Turkey | - | 9 | - | - |
| Domestic Banks | 557 | 274 | 1,076 | 322 |
| Foreign Banks | - | 11,734 | 47 | 2,879 |
| Foreign Head Office and Branches | - | - | - | - |
| Total | 557 | 12,017 | 1,123 | 3,201 |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on interest income received from marketable securities portfolio

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Financial assets held for trading | - | - | - | - |
| Financial assets where fair value change is reflected to income statement | - | - | - | - |
| Financial assets available for sale | 626,335 | 126,720 | 602,845 | 110,639 |
| Investments held to maturity | 341,833 | 584 | 337,504 | 205 |
| Total | 968,168 | 127,304 | 940,349 | 110,844 |

Information on interest income received from associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Received from Associates and Subsidiaries | 4,714 | 3,632 |

2. Interest expense

Interest expense on funds borrowed

| | Current Period | | Prior Period | |
|------------------------------------|----------------|----------------|---------------|----------------|
| | TL | FC | TL | FC |
| Banks | 22,454 | 116,634 | 21,263 | 94,569 |
| Central Bank of Republic of Turkey | - | - | - | - |
| Domestic Banks | 3,110 | 2,458 | 4,247 | 1,162 |
| Foreign Banks | 19,344 | 114,176 | 17,016 | 93,407 |
| Foreign Head Offices and Branches | - | - | - | - |
| Other Institutions | - | 20,189 | - | 10,669 |
| Total | 22,454 | 136,823 | 21,263 | 105,238 |

Interest expense paid to associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Paid to Associates and Subsidiaries | 38,228 | 31,174 |

Interest expense on securities issued

Interest paid to securities issued as at for the six month ended 30 June 2016 is TL 313,006 (30 June 2015: TL 278,594).

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Maturity structure of the interest expense on deposits

| Current Period | Demand Deposits | Time Deposits | | | | | Cumulative deposit | Total |
|-----------------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------------|------------------|
| | | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | |
| <i>TL</i> | | | | | | | | |
| Interbank deposits | - | 20,063 | 54,834 | 21,454 | 777 | 896 | - | 98,024 |
| Saving deposits | - | 19,081 | 1,346,429 | 78,344 | 14,217 | 5,476 | - | 1,463,547 |
| Public sector deposits | 14,387 | 180,098 | 364,914 | 30,676 | 87,765 | 10,347 | - | 688,187 |
| Commercial deposits | - | 196,273 | 564,725 | 68,881 | 4,054 | 130 | - | 834,063 |
| Other deposits | 3 | 42,443 | 173,373 | 34,480 | 1,819 | 891 | - | 253,009 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Total | 14,390 | 457,958 | 2,504,275 | 233,835 | 108,632 | 17,740 | - | 3,336,830 |
| <i>FC</i> | | | | | | | | |
| Foreign currency deposits | 9,295 | 16,248 | 193,480 | 14,770 | 8,473 | 33,886 | - | 276,152 |
| Interbank deposits | 217 | 38 | 1,141 | 836 | 363 | 8,224 | - | 10,819 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | 9,512 | 16,286 | 194,621 | 15,606 | 8,836 | 42,110 | - | 286,971 |
| Grand Total | 23,902 | 474,244 | 2,698,896 | 249,441 | 117,468 | 59,850 | - | 3,623,801 |

| Prior Period | Demand Deposits | Time Deposits | | | | | Cumulative deposit | Total |
|-----------------------------------|-----------------|----------------|------------------|----------------|----------------|------------------|--------------------|------------------|
| | | to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | |
| <i>TL</i> | | | | | | | | |
| Interbank deposits | - | 13,269 | 70,549 | - | 4,182 | 4,182 | - | 92,182 |
| Saving deposits | - | 19,243 | 906,510 | 61,447 | 14,301 | 5,277 | - | 1,006,778 |
| Public sector deposits | 3,916 | 100,714 | 297,572 | 21,936 | 137,315 | 7,760 | - | 569,213 |
| Commercial deposits | 27 | 213,451 | 499,366 | 20,598 | 10,812 | 210 | - | 744,464 |
| Other deposits | - | 30,846 | 121,569 | 15,841 | 4,207 | 856 | - | 173,319 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Total | 3,943 | 377,523 | 1,895,566 | 119,822 | 170,817 | 18,285 | - | 2,585,956 |
| <i>FC</i> | | | | | | | | |
| Foreign currency deposits | 9,321 | 14,929 | 146,852 | 16,279 | 8,976 | 34,723 | - | 231,080 |
| Interbank deposits | - | 10 | 1,363 | 201 | 5,129 | - | - | 6,703 |
| Deposits with 7 days notification | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | 9,321 | 14,939 | 148,215 | 16,480 | 14,105 | 34,723 | - | 237,783 |
| Grand Total | 13,264 | 392,462 | 2,043,781 | 136,302 | 184,922 | 53,008 | - | 2,823,739 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Income | 1,981,341 | 2,168,421 |
| Income from capital market operations | 49,563 | 61,605 |
| Income from derivative financial instruments | 1,329,477 | 1,115,541 |
| Foreign exchange gains | 602,301 | 991,275 |
| Losses | (1,908,522) | (2,075,235) |
| Loss from capital market operations | (9,081) | (5,612) |
| Loss from derivative financial instruments | (1,354,593) | (1,108,999) |
| Foreign exchange loss | (544,848) | (960,624) |
| Net trading profit/loss | 72,819 | 93,186 |

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 7,763 as at and for the six month ended 30 June 2016 (30 June 2015: TL 7,491 net loss).

4. Information on other operating income

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Income from reversal of specific provisions for loans | 373,245 | 424,461 |
| Communication income | 22,057 | 24,686 |
| Gain on sale of assets | 128,580 | 39,042 |
| Rent income | 508 | 725 |
| Other income | 53,282 | 54,956 |
| Total | 577,672 | 543,870 |

(*) Bank's share of TL 63,687 cash payment has been presented in the other operating revenue due to the Visa Europe Ltd's transfer to the Visa Inc. which operates in the same business.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Provision expenses for losses on loans and other receivables

| | Current Period | Prior Period |
|---|----------------|----------------|
| Specific provisions on loans and other receivables | 815,320 | 662,882 |
| <i>Loans and receivables in Group III</i> | 226,250 | 148,460 |
| <i>Loans and receivables in Group IV</i> | 247,860 | 452,430 |
| <i>Loans and receivables in Group V</i> | 341,210 | 61,992 |
| Non-performing commissions and other receivables | - | - |
| General provision expenses | 134,037 | 250,734 |
| Provision for possible losses | - | - |
| Impairment losses on securities: | 3,395 | 3,054 |
| <i>Trading securities</i> | - | - |
| <i>Investment securities available-for-sale</i> | 3,395 | 3,054 |
| Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity : | 13,264 | 12,103 |
| <i>Associates</i> | - | - |
| <i>Subsidiaries</i> | - | - |
| <i>Joint ventures</i> | - | - |
| <i>Investment securities held-to-maturity</i> | 13,264 | 12,103 |
| Other ^(*) | 24,013 | 61,298 |
| Total | 990,029 | 990,071 |

(*) Other provision expenses amounting to TL 24,013 (30 June 2015: TL 61,298) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 23,863 (30 June 2015: TL 17,273) and provision expenses related to retail loans amounting to TL 150 (30 June 2015: TL 44,025)

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

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 | Prior Period |
|--|-----------------------|---------------------|
| Personnel Costs | 731,645 | 665,466 |
| Reserve for Employee Termination Benefits | 32,433 | 28,731 |
| Deficit Provision for Pension Funds | - | - |
| Impairment Losses on Tangible Assets | - | - |
| Depreciation Expenses on Tangible Assets | 64,538 | 61,447 |
| Impairment Losses on Intangible Assets | - | - |
| Amortization Expenses on Intangible Assets | 10,649 | 8,275 |
| Impairment Losses on Assets to be Disposed | 3,408 | 3,698 |
| Depreciation Expenses on Assets to be Disposed | 10,224 | 7,944 |
| Impairment Losses on Assets Held for Sale | - | - |
| Other Operating Expenses | 737,702 | 638,337 |
| <i>Operational lease expenses</i> | 110,147 | 100,734 |
| <i>Repair and maintenance expenses</i> | 21,572 | 16,295 |
| <i>Advertisement expenses</i> | 31,713 | 35,002 |
| <i>Other expenses</i> | 574,270 | 486,306 |
| Loss on sale of assets | 1,186 | 252 |
| Other (*) | 314,541 | 346,467 |
| Total | 1,906,326 | 1,760,617 |

(*) Other operating expenses amounting to TL 314,541 (30 June 2015: TL 346,467) is comprised of provision expenses for dividends to the personnel amounting to TL 75,556 (30 June 2015: TL 68,914), tax, fees and funds expenses amounting to TL 68,221 (30 June 2015: TL 59,989), “Saving Deposits Insurance Fund” expenses amounting to TL 66,818 (30 June 2015: TL 55,517) and other operating expenses amounting to TL 103,946 (30 June 2015: TL 162,047).

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 423,471 (30 June 2015: TL 121,820) from the net taxable profit calculated in accordance the laws and regulations in effect.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

| Sources of deferred tax benefit/charge | Current Period | Prior Period |
|---|---------------------------|-------------------------|
| Arising from Origination / (Reversal) of Deductible Temporary Differences | 57,391 | (70,279) |
| Arising from (Origination)/ Reversal of Taxable Temporary Differences | 78,857 | (57,663) |
| Arising from Origination / (Reversal) of Tax Losses | - | - |
| Arising from Tax Rate Change | - | - |
| Total | 136,248 | (127,942) |

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 7,837,113 interest income, TL 455,760 net fees and commissions income and incurred TL 4,738,921 interest expenses, from ordinary banking transactions (30 June 2015: TL 6,448,647 interest income, TL 3,775,871 interest expenses, TL 449,425 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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

| Current Period | Associates, Subsidiaries and Joint-Ventures | | Bank’s Direct and Indirect Shareholders | | Other Components in Risk Group | |
|--|---|----------|---|----------|--------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | 145,876 | 955,222 | - | 28,550 | 822 | 15,858 |
| Balance at the end of the period | 157,935 | 972,413 | - | 29,957 | 2,200 | 23,556 |
| Interest and commission income | 4,714 | 597 | - | 30 | - | 24 |

| Prior Period | Associates, Subsidiaries and Joint-Ventures | | Bank’s Direct and Indirect Shareholders | | Other Components in Risk Group | |
|--|---|----------|---|----------|--------------------------------|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and other receivables | | | | | | |
| Balance at the beginning of the period | 74,105 | 721,258 | - | 10,174 | 6,238 | 13,087 |
| Balance at the end of the period | 145,876 | 955,222 | - | 28,550 | 822 | 15,858 |
| Interest and commission income | 3,632 | 270 | - | 30 | - | 12 |

Information on deposits held by the Bank’s risk group

| Bank’s Risk Group | Associates, Subsidiaries and Joint-Ventures | | Bank’s Direct and Indirect Shareholders | | Other Components in Risk Group | |
|--|---|--------------|---|--------------|--------------------------------|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Deposits | | | | | | |
| Balance at the beginning of the period | 965,832 | 898,566 | 740,156 | 713,966 | 104,508 | 115,831 |
| Balance at the end of the period | 1,586,084 | 965,832 | 812,083 | 740,156 | 111,100 | 104,508 |
| Interest on deposits | 38,228 | 31,174 | 31,392 | 20,202 | 349 | 1,735 |

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

Pricing policy and other conditions of transactions with the risk group of the Bank are determined and applied on arm’s length basis. The ratio of cash and non-cash loans given to the Bank’s risk group to total cash and non-cash loans are 0.12% (31 December 2015: 0.12%) and 3.05% (31 December 2015: 3.02%), respectively.

| Current Period | Amount | Compared to financial statement amount (%) |
|-----------------------|---------------|---|
| Cash loans | 160,135 | 0.12 |
| Non-cash loans | 1,025,926 | 3.05 |
| Deposits | 2,509,267 | 2.20 |
| Forward and option | - | - |

| Prior Period | Amount | Compared to financial statement amount (%) |
|---------------------|---------------|---|
| Cash loans | 146,698 | 0.12 |
| Non-cash loans | 999,630 | 3.02 |
| Deposits | 1,810,496 | 1.65 |
| Forward and option | - | - |

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY

As per the resolution of 62nd Annual General Assembly held on 29 March 2016, the net profit of year 2015 has been decided to be distributed as follows:

| | Profit Distribution Table of Year 2015 |
|---|--|
| Bank’s unconsolidated profit in its statutory financial statements | 1,930,109 |
| Net profit of the year subject to distribution | 1,930,109 |
| Legal reserves | 193,012 |
| <i>First Legal Reserves</i> | 96,506 |
| <i>Reserves allocated according to banking law and articles of association.</i> | 96,506 |
| Net profit of the year subject to distribution | 1,737,097 |
| Gain on sale of immovable and shares of associates and subsidiaries | 1,660 |
| Extraordinary reserves | 1,635,437 |
| Dividends to shareholders | 100,000 |

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

| July 2016 (*) | Fitch Ratings |
|-----------------------------|---------------|
| Long Term Foreign Currency | BBB- |
| Short Term Foreign Currency | F3 |
| Foreign Currency Outlook | Stable |
| Long Term Local Currency | BBB- |
| Short Term Local Currency | F3 |
| Local Currency Outlook | Stable |
| National Long Term | AAA (tur) |
| National Outlook | Stable |
| Support | 2 |
| Viability Note | bbb- |
| Support Rating Floor | BBB- |

| March 2016 (*) | Moody’s Investors’ Service |
|---------------------------------|----------------------------|
| Baseline Credit Assessment | ba1 |
| Local Currency Deposit Rating | Baa3/P-3 |
| Local Currency Outlook | Negative |
| Foreign Currency Deposit Rating | Baa3/P-3 |
| Foreign Currency Outlook | Negative |

| July 2016 (*) | Standard&Poors |
|---|----------------|
| Foreign Currency Counterparty Credit Rating | BB/B |
| Foreign Currency Outlook | Negative |
| Local Currency Counterparty Credit Rating | BB/B |
| Local Currency Outlook | Negative |
| Turkey National Scale | trAA- / trA-1 |

(*) Dates represent last report dates.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

OTHER DISCLOSURES (Continued)

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

Vakıfbank bonds of which value date are 22 July 2016 have been issued and offered to public through book-building totally 600 million (Full TL) on 18-19-20 July 2016, amounting TL 300 million (Full TL) with 90 days maturity and maturity date of which is 21 October 2016, amounting TL 200 million (Full TL) with 154 days maturity and maturity date of which is 23 December 2016 and amounting TL 100 million (Full TL) with 217 days maturity and maturity date of which is 24 February 2017.

As a result, Vakıfbank bond with the ISIN Code TRQVKFBE1627 which has 8.8412% annual compound interest, 8.5621% simple interest and issue price was TL 97,910 with amounting TL 215,966,630 (Full TL) with 91 days maturity and maturity date of which is 21 October 2016.

Vakıfbank bond with the ISIN Code TRQVKFBA1621 which has 9.1682% annual compound interest, 8.9363% simple interest and issue price was TL 96,367 with amounting TL 112,820,356 (Full TL) with 154 days maturity and maturity date of which is 23 December 2016.

Vakıfbank bond with the ISIN Code TRQVKFB21712 which has 9.8139% annual compound interest, 9.6271% simple interest and issue price was TL 94,586 with amounting TL 122,354,706 (Full TL) with 217 days maturity and maturity date of which is 24 February 2017.

Bonds have been issued on 22 April 2016 amounting TL 200 million (Full TL) with 96 days maturity, on 29 July 2016 amounting 787.030 thousand (Full TL) with 126 days maturity, on 29 July 2016 17 million (Full TL) with 217 days to maturity.

SECTION SEVEN

I. LIMITED REVIEW REPORT

1. Information on limited review report

The Bank’s unconsolidated interim financial statements and footnotes as at and for six-month period ended 30 June 2016 have been reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). It was noted in their review report dated 9 August 2016 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank’s financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

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 SIX-MONTH ENDED 30 JUNE 2016**

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

SECTION EIGHT

INFORMATION ON INTERIM ACTIVITY REPORT

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF
DIRECTORS AND CEO’S ASSESSMENTS FOR THE INTERIM ACTIVITIES**

VakıfBank in brief:

Information stated in the interim annual report is all unconsolidated and in TL terms, if not stated otherwise.

| | |
|------------------------------------|---|
| Operation Date | 13 April 1954 |
| Head Office | İstanbul |
| Paid-in Capital | TL 2,500,000,000 |
| Employees | 15,363 |
| Domestic Branches | 919 |
| Foreign Branches | 3 |
| Associates and Subsidiaries | 23 |
| Independent Audit Firm | Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. |
| Address | Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Sultan Selim Mahallesi, Eski Büyükdere Caddesi No:59 Kağıthane/İstanbul |
| Phone | (0212) 398 15 15 - (0212) 398 10 00 |
| Fax | (0212) 398 11 55 |
| Web Site | http://www.vakifbank.com.tr |

VakıfBank Organizational Structure:

| GROUP | SHAREHOLDERS | CAPITAL (TL) | PERCENTAGE % |
|--------------|--|----------------------|---------------------|
| A | Registered foundations represented by the General Directorate of the Foundations | 1,075,058,640 | 43.00 |
| B | Registered foundations represented by the General Directorate of the Foundations | 386,224,785 | 15.45 |
| B | Other appendant foundations | 3,080,407 | 0.12 |
| B | Other registered foundations | 1,448,543 | 0.06 |
| C | Vakıfbank Mem.ve Hizm.Em. ve Sağ.Yard.San.Vakfi | 402,552,666 | 16.10 |
| C | Other real persons and legal entities | 1,532,753 | 0.06 |
| D | Free Float | 630,102,206 | 25.21 |
| TOTAL | | 2,500,000,000 | 100.00 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Members of the Board of Directors:

| NAME - SURNAME | TITLE - RESPONSIBILITY | GROUP | DATE OF APPOINTMENT |
|-----------------------|--|-----------------------|----------------------------|
| Ramazan GÜNDÜZ | Chairman of the Board of Directors | Group C | 29 March 2013 |
| Mehmet Emin ÖZCAN | Deputy Chairman of the Board | Group D - Independent | 29 March 2013 |
| Halil AYDOĞAN | General Manager Executive Director of the Board | - | 29 March 2013 |
| İsmail ALPTEKİN | Member of the Board of Directors | Group A | 6 April 2009 |
| Dr. Adnan ERTEM | Member of the Board of Directors | Group A | 28 October 2010 |
| Sabahattin BİRDAL | Member of the Board of Directors | Group C - Independent | 31 March 2014 |
| Öztürk ORAN | Member of the Board of Directors | Group A - Independent | 30 April 2014 |
| Dilek YÜKSEL | Member of the Board of Directors | Group B | 29 March 2016 |

Members of Audit Board:

| NAME - SURNAME | TITLE - RESPONSIBILITY | DATE OF APPOINTMENT |
|-----------------------|-------------------------------|----------------------------|
| Yunus ARINCI | Member of Audit Board | 19 March 2010 |
| Mehmet Emin BAYSA | Member of Audit Board | 29 March 2016 |

Members of Audit Committee:

| NAME - SURNAME | TITLE - RESPONSIBILITY | DATE OF APPOINTMENT |
|-----------------------|-------------------------------|----------------------------|
| Mehmet Emin ÖZCAN | Member of Audit Committee | 4 April 2014 |
| Sabahattin BİRDAL | Member of Audit Committee | 4 April 2014 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Management:

| NAME - SURNAME | TITLE - RESPONSIBILITY | DATE OF APPOINTMENT |
|-----------------------|--|----------------------------|
| Halil AYDOĞAN | General Manager | 29 March 2013 |
| Metin Recep ZAFER | Executive Vice President (Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant) | 13 June 2006 |
| Hasan ECESoy | Executive Vice President (Treasury, International Banking and Investor Relations, Coordination of Foreign Branches) | 18 June 2010 |
| Serdar SATOĞLU | Executive Vice President (Private Banking, Subsidiaries) | 2 July 2010 |
| Ali Engin EROĞLU | Executive Vice President (Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate) | 18 August 2010 |
| Osman DEMREN | Executive Vice President (Commercial and Corporate Loans, Retail and SME Loans, Appraisal and Financial Analysis) | 6 April 2011 |
| Muhammet Lütfü ÇELEBİ | Executive Vice President (Commercial and Corporate Banking, SME Banking, Cash Management Transactions, Bank Insurance) | 23 October 2013 |
| Mustafa SAYDAM | Executive Vice President (Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations) | 28 October 2013 |
| Mehmet Emin KARAAĞAÇ | Executive Vice President (Loans and Follow-up, Legal Affairs) | 8 November 2013 |

In the 62. Ordinary General Assembly meeting of the Bank held on March 29, 2016, duties of Mr. Şeref Aksaç (Board member) and Mr. Mehmet Haltaş (Audit Board member) terminated. In the same meeting, as per the resolution, Mrs. Dilek Yüksel has been appointed as a member of the Board of Directors and Mr. Mehmet Emin Baysa has been appointed as a member of Audit Board.

One of the Board members Mr. İsmail Alptekin has 59 number of Group C shares which is not listed. Except for this, there is no person stated in the table above who has shares that are not listed.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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

Significant Financial Indicators:

| BALANCE SHEET (TL million) | JUNE 2016 | DECEMBER 2015 | DIFFERENCE (%) |
|---------------------------------|-----------|---------------|----------------|
| TOTAL SECURITIES | 25,030 | 24,452 | 2.37 |
| LOANS | 129,300 | 122,974 | 5.14 |
| -Corporate and Commercial Loans | 90,432 | 86,364 | 4.71 |
| -Retail Loans | 38,867 | 36,611 | 6.16 |
| DEPOSITS | 114,134 | 109,923 | 3.83 |
| -Term Deposits | 91,487 | 89,645 | 2.06 |
| -Demand Deposits | 22,647 | 20,278 | 11.68 |
| FUNDS BORROWED | 18,420 | 18,556 | (0.73) |
| SUBORDINATED LOANS | 4,124 | 4,169 | (1.09) |
| SECURITIES ISSUED | 11,842 | 10,548 | 12.27 |
| EQUITY | 18,028 | 16,768 | 7.52 |
| TOTAL ASSETS | 193,640 | 182,947 | 5.85 |
| NON-CASH LOANS | 33,596 | 33,068 | 1.60 |

| INCOME STATEMENT (TL million) | JUNE 2016 | JUNE 2015 | DIFFERENCE (%) |
|--|-----------|-----------|----------------|
| INTEREST INCOME | 7,837 | 6,449 | 21.53 |
| INTEREST EXPENSE | 4,739 | 3,776 | 25.51 |
| NET INTEREST INCOME | 3,098 | 2,673 | 15.92 |
| NET FEE&COMMISSION INCOME | 456 | 449 | 1.41 |
| DIVIDEND INCOME | 83 | 62 | 33.14 |
| TRADING INCOME/LOSSES (Net) | 73 | 93 | (21.86) |
| OTHER OPERATING INCOME | 578 | 544 | 6.22 |
| TOTAL OPERATING PROFIT | 4,287 | 3,821 | 12.19 |
| PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-) | 990 | 990 | - |
| OTHER OPERATING EXPENSES (-) | 1,906 | 1,761 | 8.28 |
| PROFIT BEFORE TAX | 1,391 | 1,071 | 29.90 |
| TAX PROVISION (-) | (287) | (250) | (15.00) |
| NET PROFIT/LOSS | 1,104 | 821 | 34.43 |

| RATIOS (%) | JUNE 2016 | DECEMBER 2015 |
|---|-----------|---------------|
| LOANS/TOTAL ASSETS | 66.77 | 67.22 |
| LOANS/DEPOSITS | 113.29 | 111.87 |
| NPL RATIO | 4.06 | 3.79 |
| CAPITAL ADEQUACY RATIO | 14.42 | 14.52 |
| RETURN ON AVERAGE ASSETS (ROAA) | 1.17 | 1.13 |
| RETURN ON AVERAGE EQUITY (ROAE) | 12.69 | 12.24 |
| INTEREST INCOME/INTEREST EXPENSE | 165.38 | 167.37 |
| NON-INTEREST INCOME/NON-INTEREST EXPENSE | 37.35 | 37.47 |

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Assessment of the Chairman of the Board of Directors:

Esteemed Stakeholders,

On Friday night, 15 July 2016, a terrorist group within Turkish Armed Forces has attempted a coup against the national will, our country, republic, union and integrity. Mr. President, President of Turkish Grand National Assembly, Prime Minister, Grand National Assembly, Government and Turkish nation have challenged the coup attempt from the first moment. Protection of the democracy and stability has refreshed our belief in a better future.

In global economy; second quarter of 2016 was especially dominated by the British referendum for exiting the European Union (EU). Unlike the expectations, June 23rd referendum favoured leaving the EU (Brexit), causing turbulence in the markets. The anticipation that, after exit of Britain, other countries could also take similar decisions, resulting in breakdown of the EU, causing adverse effects on the British and EU economy, and the potential to cause global recession, increased the risk perception in the markets.

Another important development followed by the markets was the US Fed’s rate hike decisions. Fed did not hike the rates at June meeting, keeping the rates in 0.25-0.50 % range. Brexit referendum was effective in Fed’s decision not to increase the rates at June meeting. In this period, European Central Bank (ECB) also didn’t change the interest rates or the size of asset purchase program. At the March meeting, ECB had increased the asset purchases from monthly 60 billion Euros to monthly 80 billion Euros due to the negativities continuing in the economy, and resolved to include private sector bonds in the program. In March, the Bank had also cut the policy interest rate (refinancing interest rate) from 0.05% to 0%, and deposits interest rates from -0.30% to -0.40% and lending rates from 0.30% to 0.25%.

In addition to Fed’s rate hikes and Brexit decision, another concern for the world economy in 2016 was the slowing pace of growth in Chinese economy. In this period, Chinese authorities implemented some measures against the slowdown in the economy. In the second quarter of the year, Chinese economy grew beyond expectations, by 6.7%, with the support of increase in loans and consumer expenditures, showing that the world’s second largest economy responds to monetary and financial supports.

While the global markets were fluctuating, Turkish economy grew by 4.8% in the first quarter of 2016. Turkey had the third highest growth rate among G20 countries in the last quarter of 2015. In the first quarter of the year, it was the country with the fourth higher growth rate among those announcing the growth rate. Thus, Turkey maintained its strong position among G20 countries in the first quarter of the year.

In this period, CBRT’s simplification steps continued. Upper limit of interest rate corridor was cut by 50 basis points in each of April, May and June, resulting in a total of 150 basis points rate cut by CBRT, thus the marginal funding rate (upper limit of interest rate corridor) was reduced to 9% in the second quarter.

Turkey has proven itself once again in sustainable growth and financial stability. Turkish Banking Sector has also shown its strength and reliability after the traitor coup attempt. In this period, there was no deposits outflow from the sector, on the contrary, the deposits and loans continued to grow, and no extraordinary volatility occurred in the interest rates. The sector has even strengthened during this situation. In this process, our Bank has continued to grow, and increased its total assets to TL 193,640 million in the first half of 2016. In addition, our Bank’s net income increased by 34.43% from the same period of last year, to TL 1,104 million. In the periods ahead, empowered by our country and nation, our Bank will continue to grow and work for our country and nation.

I condemn and damn the outrageous coup attempt of 15 July 2016. I’m grateful to Mr. President, President of Turkish Grand National Assembly, Prime Minister, Government, Security Forces and Turkish nation.

Yours sincerely,

Ramazan GÜNDÜZ

**Chairman of the Board of
Directors**

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Assessment of the General Manager:

Esteemed Stakeholders,

As you know, our country has been through very important days. On 15 July 2016 Friday night, a terrorist group within Turkish Armed Forces had attempted a coup against national will, our country, republic, unity and integrity. Our pride in these difficult days was that the coup attempt failed, due to our nation’s determination and faith in democracy.

Mr. President being in the first place, President of Turkish Grand National Assembly, Prime Minister, Grand National Assembly, and the Government, Security Forces including Turkish Armed Forces, and the whole Turkish nation have shown a decisive stance against the coup attempt from the first moment all over the country. Entire community has strongly reacted the coup attempt, clearly showing the strength of our democracy and our nation’s faith in democracy. This strength and faith make us more hopeful for the future.

VakıfBank has always supported Turkish economy and real sector, and is in service of our country and nation with all its assets and strengths. I’d like to provide some information on our second quarter results. VakıfBank has increased total assets by 5.85% to TL 193,640 million year to date. In this period, cash loans increased by 5.14% to TL 129,300 million.

We increased our retail loans, which has a significant share in cash loans, by 6.16% to TL 38,867 million year to date. Commercial loans have increased by 4.71% from 2015 year-end to TL 90,432 million. In 2016, we continued to support the real sector which are sources of employment and added value, and SME’s with increased financing needs, with all our products and services. Our SME loans have increased to TL 34,674 million. In addition, we provide financing support on every project that adds value for Turkey. Recently, we took part in financing of Istanbul 3rd Airport Project, Derince Port Privatization, 3rd Bosphorus Bridge Project and Northern Marmara Highway Construction, and Şah Deniz Project. In the future, our government proving its strength and stability once more and not allowing any opportunity to malice group will proceed with major leaps, and we will have the pride of taking part in financing of these major investments.

In the first half of the year, we maintained our strong base of deposits. Deposits increased by 3.83% to TL 114,134 million compared to the year-end 2015. In this period, we signed the first syndication loan agreement of 2016. This agreement of USD 920 million has proven once again the high creditworthiness of our Bank in international markets. This funding will be used in export financing. In addition, VakıfBank is being spoken of with its strong capital, steady balance sheet structure, as a pioneer. For example, we issued the first ever benchmark Euro-denominated Mortgage Covered Bond in this period, which was awarded by International Capital Markets Association (ICMA) as the “Award for Excellence: Debut”. In the future, we will continue to provide new funding sources from international markets, with new products and new structures, thus supporting the real sector.

After the coup attempt on July 15th, 2016, we were the first Turkish bank to inform some 1500 international investors and around 750 correspondent banks on July 18th, Monday, before European markets opened, in order to avoid information pollution. In the process, we emphasized that our country was exposed to a coup attempt of a terrorist group within Turkish Armed Forces, however Mr. President, President of the Grand National Assembly, Prime Minister, Grand National Assembly, Government, and Security Forces including Turkish Armed Forces had taken control of the situation, establishing security fully throughout our country, and our nation showed its discretion and stood beside the constitutional regime, challenging the coup plotters’ attempt against the Republic of Turkey, elected President, Grand National Assembly, and the Government, and that neither VakıfBank nor Turkish banking sector was adversely affected in any manner whatsoever from coup attempt of 15 July 2016, and the operational activities are being conducted in a safe and robust manner.

Finally, we thank Mr. President, President of Turkish Grand National Assembly, Prime Minister, Government, Security Forces and Turkish nation for their effort in suppressing the coup attempt, with mercy and gratitude to the martyrs who lost their lives in this calamity, and wish a quick recovery for the veterans.

Best regards,

Halil AYDOĞAN
General Manager and
Executive Director of the Board of
Directors

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Assessment of Financial Status:

Our Bank has continued with its growth in the second quarter of 2016 without compromising asset quality, and increased its total assets to TL 193,640 million. In this period, cash and non-cash loans reached TL 129,300 million, and TL 33,596 million, respectively, thus total loans reached TL 162,896 million. Share of total loans in total assets is 66.77%. In terms of loan breakdown, commercial loans have increased to TL 90,432 million, while retail loans have increased to TL 38,867 million.

Our Bank has maintained its strong profitability and funding structure as well as asset quality in the second quarter of 2016. In this period, average return on assets realized at 1.17%, while average return on equity was 12.69%, and capital adequacy ratio was 14.42%.

In addition, domestic and foreign bank bonds in different types and maturities were issued by the Bank in order to diversify funding sources, to help cost control, to create additional funding, to contribute positively to the liquidity management; and to support loan growth.

Bank bonds with TL 300,000,000 nominal value and 119 days’ maturity, TL 200,000,000 nominal value and 154 days’ maturity, TL 100,000,000 nominal value and 210 days’ maturity were offered to public by the Bank through book building on April 25-26-27, 2016; TL 234,452,702 nominal demand was received for the Bank bond with TL 300,000,000 nominal value and 119 days’ maturity, TL 76,420,083 nominal for the Bank bond with TL 200,000,000 nominal value and 119 days’ maturity and TL 49,831,150 nominal demand for the Bank bond with TL 100,000,000 nominal value 210 day’s maturity. Bids of individual and corporate investors have been fully met in all three maturities, and total issuance amount was TL 360,703,935 nominal. As a result of the book-running for 119 days VakıfBank bond public offer, 22% of the bonds were allocated to domestic corporate investors and 78% to domestic individual investors; and as a result of the book-running for 154 days VakıfBank bond public offer, 32% of bonds were allocated to domestic corporate investors, and 68% to domestic individual investors; and as a result of the book-running for 210 days VakıfBank bond public offer, 17% of bonds were allocated to domestic corporate investors, and 83% to domestic individual investors.

Bank bonds with TL 400,000,000 nominal value and 126 days’ maturity, TL 100,000,000 nominal value and 210 days’ maturity were offered to public by the Bank through book building on May 23-24-25, 2016. TL 276,374,781 nominal demand was received for the Bank bond with TL 400,000,000 nominal value and 126 days’ maturity bond, and TL 25,898,518 nominal demand for the Bank bond with TL 100,000,000 nominal value and 210 days’ maturity bond. Bids of individual and corporate investors have been fully met in both maturities, and total issuance amount was TL 302,273,299 nominal. As a result of the book-running for 126 days VakıfBank bond public offer, 37% of the bonds were allocated to domestic corporate investors and 63% to domestic individual investors; and as a result of the book-running for 210 days VakıfBank bond public offer, all of the bonds were allocated to domestic individual investors.

When considering the market shares, which is one of the most important indicators for our financial status, our market share in retail lending has increased from 9.51% to 9.77% in this period. In breakdown of retail loans, the Bank’s market share in mortgage loans has increased from 10.53% to 10.68%, and in auto loans from 7.24% to 7.41%, and in credit card loans from 4.87% to 5.07%. In this period, the Bank’s market share in general purpose consumer loans has increased from 11.01% to 11.38%.

In the second quarter of 2016, the Bank increased the deposits, the most important source of funding, by 3.83% to TL 114,134 million. In this period, the Bank has delivered TL 1,104 million net income, thus increasing its income by 34.43% compared to the same period of last year. In this period, interest income and interest expense increased by 21.53% and 25.51%, respectively.

The Bank will continue with operational improvements aiming at strengthening its equity and reducing non-interest expenses, and growth-oriented strategies, implementing applications to increase non-interest income, and focus on increasing the current market share.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Affiliates and Subsidiaries:

VakıfBank did not acquire or dispose of any affiliate or subsidiary in the current period. Information on our affiliates and subsidiaries is given in our Annual Report 2015.

In addition to contemporary banking services, our Bank continues to contribute to our country’s economy with affiliates doing business in various sectors. As of June 2016, number of affiliates and subsidiaries is 23. 13 of the affiliates and subsidiaries operate in finance sector, being 4 in banking sector, 2 in insurance, 7 in other sectors, while 10 of them operate outside finance sector.

In the current period, Kıbrıs Vakıflar Bankası Ltd., one of the Bank’s affiliates, has held Extraordinary General Assembly Meeting on 12.05.2016, resolving to increase its capital of TL 40,000 to TL 70,000. TL 4,500 shares corresponding to the Bank is booked under Bonus Shares Received in the table of movement of investments in associates.

In the current period, Türkiye Sınai Kalkınma Bankası A.Ş., one of the Bank’s affiliates, has held Ordinary General Assembly Meeting on 24 March 2016, resolving to increase its capital from TL 1,750,000 to TL 2,050,000. TL 25,132 shares corresponding to the Bank is booked under Bonus Shares Received in the table of movement of investments in associates.

In the current period, Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. has held Ordinary General Assembly Meeting on 15.04.2016, resolving to increase its capital of TL 205,400 by TL 7,600 through bonus issue, to TL 213,000. After the capital increase, Bank’s existing TL 79,495 nominal share has increased by TL 2,941 to TL 82,436, and its share has remained the same (38.70%). TL 2,941 shares corresponding to the Bank is booked under Bonus Shares Received in the table of movement of investments in associates..

In the current period, Vakıf Finansal Kiralama A.Ş. has held Ordinary General Assembly Meeting on 12.04.2016, resolving to increase its capital from TL 65,000 by TL 22,000 through bonus issue, to TL 87,000. After the capital increase, Bank’s existing TL 38,163 nominal share has increased by TL 12,917 to TL 51,080, and its stake has remained the same (58.71%). TL 12,917 shares corresponding to the Bank is booked under Bonus Shares Received in the table of movement of investments in associates..

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016**

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

Amendment of Articles of Incorporation:

OLD TEXT

Address of Head Office

Article: 5- Amended type with the decision of Ordinary General Assembly dated 29.03.2013 Head office of the Bank is in İstanbul. Its address is Sanayi Mahallesi, Eski Büyükdere Caddesi, Güler Sokak, No:51, Kâğıthane/İstanbul. The Bank can open new branch offices in Turkey or abroad in the places where a necessity is found in accordance with Banking Law No. 5411. These branch offices in which every kind of banking transactions made are like public banks' branch offices, the savings of public institutions can also be deposited.

NEW TEXT

Address of Head Office

Article: 5- Head office of the Bank is in İstanbul. Its address is Sultan Selim Mahallesi Eski Büyükdere Caddesi No:59, Kâğıthane/İstanbul. The Bank can open new branch offices in Turkey or abroad in the places where a necessity is found in accordance with Banking Law No. 5411. These branch offices in which every kind of banking transactions made are like public banks' branch offices, the savings of public institutions can also be deposited.

Ratings:

Information on the Bank's rating given by international credit rating agencies is as follows:

| July 2016 (*) | Fitch Ratings |
|---|-----------------------------------|
| Long Term Foreign Currency | BBB- |
| Short Term Foreign Currency | F3 |
| Foreign Currency Outlook | Stable |
| Long Term Local Currency | BBB- |
| Short Term Local Currency | F3 |
| Local Currency Outlook | Stable |
| National Long Term | AAA (tur) |
| National Outlook | Stable |
| Support | 2 |
| Viability Rating | bbb- |
| Support Rating Floor | BBB- |
| March 2016 (*) | Moody's Investors' Service |
| Baseline Credit Assessment | ba1 |
| Local Currency Deposit Rating | Baa3/P-3 |
| Local Currency Outlook | Negative |
| Foreign Currency Deposit Rating | Baa3/P-3 |
| Foreign Currency Outlook | Negative |
| July 2016 (*) | Standard&Poors |
| Foreign Currency Counterparty Credit Rating | BB/B |
| Foreign Currency Outlook | Negative |
| Local Currency Counterparty Credit Rating | BB/B |
| Local Currency Outlook | Negative |
| Turkey National Scale | trAA- / trA-1 |

(*) Dates represent last report dates.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2016

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Other Issues:

In this period, two representative offices have been opened. These branches are Osmangazi University Eskişehir Representative Office and Afyon Kocatepe University Faculty of Medicine Representative Office.

Serving through domestic and foreign branches in the sector, the Bank continues its operations with 3 foreign, 919 domestic branches and 922 branches in total as of June 2016.

As per the resolution of 62nd General Assembly held on March 29th, 2016, the net profit of 2015 has been decided to be distributed as follows:

2015 Profit Distribution Table

| | |
|---|------------------|
| Bank’s unconsolidated profit in its statutory financial statements | 1,930,109 |
| Net profit subject to distribution | 1,930,109 |
| Legal Reserves | 193,012 |
| <i>First legal reserves</i> | 96,506 |
| <i>Reserves allocated according to the Bank’s law and Articles of Incorporation</i> | 96,506 |
| Shares to be distributed to shareholders | 1,737,097 |
| Gain on sale of real estate and shares of associates and subsidiaries | 1,660 |
| Extraordinary reserves | 1,635,437 |
| Dividend to shareholders | 100,000 |

Investor Relations Attendants:

| NAME - SURNAME | TITLE | PHONE | E-MAIL |
|-----------------------|---------------------|-----------------|---------------------------------------|
| Mustafa TURAN | Head | 0 212 316 73 90 | mustafa.turan@vakifbank.com.tr |
| Ali TAHAN | Manager | 0 212 316 73 36 | ali.tahan@vakifbank.com.tr |
| Zeynep Nihan DİNCEL | Associate | 0 212 316 73 83 | zeynepnihan.dincel@vakifbank.com.tr |
| Yasemin KEÇELİOĞLU | Associate | 0 212 316 73 85 | yasemin.kecelioglu@vakifbank.com.tr |
| Ece Seda YASAN | Assistant Associate | 0 212 316 74 01 | eceseda.yasan@vakifbank.com.tr |
| Yusuf YILMAZ | Assistant Associate | 0 212 316 73 88 | yusuf.yilmaz2@vakifbank.com.tr |
| Berna SELEM ARSLANTAŞ | Assistant Officer | 0 212 316 75 94 | bernaselem.arslantas@vakifbank.com.tr |

VakıfBank’s Year End 2015 and June 2016 Interim Consolidated and Unconsolidated Independent Auditor’s Reports and Interim Annual Reports can be accessed through the link <http://www.vakifbank.com.tr> on Investor Relations/Financials page.

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