

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES AT 30 SEPTEMBER 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 September 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 nine-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 September 2016 and of the results of its operations and its cash flows for the nine-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 November 2016

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED INTERIM FINANCIAL REPORT  
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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The unconsolidated financial report as at and for the nine month ended 30 September 2016, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The unconsolidated interim financial statements for the nine-month period and related disclosures and footnotes that were subject to limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated interim financial report is presented in thousands of Turkish Lira (TL), and has been subjected to limited review.

9 November 2016

Ramazan GÜNDÜZ  
Chairman of the Board of  
Directors

Mehmet Emin ÖZCAN  
Deputy Chairman of the  
Board and Audit  
Committee Member

Sabahattin BİRDAL  
Board member and  
Audit Committee Member

Halil AYDOĞAN  
General Manager and  
Board Member

Metin Recep ZAFER  
Assistant General Manager

Ferkan MERDAN  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2016 is as stated below:

<b>Shareholders</b>	<b>Number of Shares – 100 unit</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,823,304	2,823	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,532,626	1,533	0.06
Publicly traded (Group D)	630,359,436	630,360	25.22
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

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NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
<b><u>Board of Directors</u></b>				
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
<b><u>Audit Committee</u></b>				
Mehmet Emin ÖZCAN	Member	4 April 2014	University	33 years
Sabahattin BİRDAL	Member	4 April 2014	University	39 years
<b><u>Auditor</u></b>				
Yunus ARINCI	Auditor	19 March 2010	Master	19 years
Mehmet Emin BAYSA	Auditor	29 March 2016	Master	15 years
<b><u>Assistant Managers</u></b>				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant, Application Development Departments, System Management, IT Operations and Support, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate, IT Services Planning Department	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 SATOGLU	Private Banking, Associates	2 July 2010	PHD	20 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	6 April 2011	Master	25 years
Muhammet Lutfu CELEBI	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Corporate Branches	23 October 2013	University	20 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels,	28 October 2013	University	22 years
Mehmet Emin KARAAGAC	Loans and Follow-up, Legal Affairs	8 November 2013	University	26 years
Yakup SIMSEK	Retail Banking, Payment Systems, Payment System Operations, Insurance Banking	7 September 2016	University	19 years

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NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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.

In the Ordinary General Assembly meeting of the Parent Bank held on August 25, 2016, duty of Yakup ŞİMŞEK (Head of Cash Management Transactions) has appointed for the Executive Vice President.

In the Ordinary General Assembly meeting of the Parent Bank held on September 8, 2016, duty of Ali Engin EROĞLU(Executive Vice President) has left his position.

İsmail ALPTEKİN, 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**

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

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



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

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

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**GENERAL INFORMATION (Continued)**

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

The Bank was established under the authorization of special law numbered 6219, called “the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 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 September 2016, the Bank has 923 domestic, 3 foreign, in total 926 branches (31 December 2015: 917 domestic, 3 foreign, in total 920 branches). As at 30 September 2016, the Bank has 15,508 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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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**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 SEPTEMBER 2016**

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

ASSETS	Notes	Reviewed Current Period 30 September 2016			Audited Prior Period 31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>2,960,987</b>	<b>18,675,187</b>	<b>21,636,174</b>	<b>2,133,980</b>	<b>19,350,809</b>	<b>21,484,789</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>V-I-2</b>	<b>682,750</b>	<b>179,540</b>	<b>862,290</b>	<b>739,339</b>	<b>146,128</b>	<b>885,467</b>
2.1 Financial assets held for trading purpose		682,750	179,540	862,290	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	682,750	179,540	862,290	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		-	-	-	-	-	-
<b>III. BANKS</b>	<b>V-I-3</b>	<b>5</b>	<b>4,529,919</b>	<b>4,529,924</b>	<b>370,201</b>	<b>4,864,065</b>	<b>5,234,266</b>
<b>IV. RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>V-I-4</b>	<b>12,658,473</b>	<b>4,580,285</b>	<b>17,238,758</b>	<b>12,100,346</b>	<b>4,673,623</b>	<b>16,773,969</b>
5.1 Equity securities		15	23,307	23,322	15	79,238	79,253
5.2 Debt securities issued by the governments		12,658,458	4,556,978	17,215,436	12,100,331	4,594,385	16,694,716
5.3 Other securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>97,786,053</b>	<b>40,183,694</b>	<b>137,969,747</b>	<b>88,430,947</b>	<b>35,349,706</b>	<b>123,780,653</b>
6.1 Performing loans and receivables		96,752,313	40,183,694	136,936,007	87,624,772	35,349,706	122,974,478
6.1.1 Loans provided to risk group	V-V-1	44,997	184,953	229,950	86,394	60,304	146,698
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		96,707,316	39,998,741	136,706,057	87,538,378	35,289,402	122,827,780
6.2 Loans under follow-up		5,791,443	-	5,791,443	4,850,213	-	4,850,213
6.3 Specific provisions (-)		4,757,703	-	4,757,703	4,044,038	-	4,044,038
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>	<b>V-I-6</b>	<b>7,982,632</b>	<b>104,842</b>	<b>8,087,474</b>	<b>7,546,748</b>	<b>130,981</b>	<b>7,677,729</b>
8.1 Debt securities issued by the governments		7,982,632	-	7,982,632	7,546,748	-	7,546,748
8.2 Other securities		-	104,842	104,842	-	130,981	130,981
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>285,224</b>	<b>-</b>	<b>285,224</b>	<b>270,290</b>	<b>-</b>	<b>270,290</b>
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		285,224	-	285,224	270,290	-	270,290
9.2.1 Financial associates		273,824	-	273,824	258,890	-	258,890
9.2.2 Non-Financial associates		11,400	-	11,400	11,400	-	11,400
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>1,270,266</b>	<b>393,757</b>	<b>1,664,023</b>	<b>1,170,175</b>	<b>434,144</b>	<b>1,604,319</b>
10.1 Unconsolidated financial subsidiaries		1,001,370	393,757	1,395,127	916,026	434,144	1,350,170
10.2 Unconsolidated non-financial subsidiaries		268,896	-	268,896	254,149	-	254,149
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES</b>	<b>V-I-10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-I-11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		<b>1,408,116</b>	<b>6,421</b>	<b>1,414,537</b>	<b>1,378,858</b>	<b>4,292</b>	<b>1,383,150</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>		<b>192,775</b>	<b>-</b>	<b>192,775</b>	<b>171,277</b>	<b>-</b>	<b>171,277</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		192,775	-	192,775	171,277	-	171,277
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSETS</b>		<b>64,664</b>	<b>-</b>	<b>64,664</b>	<b>15,421</b>	<b>-</b>	<b>15,421</b>
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-13	64,664	-	64,664	15,421	-	15,421
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-14</b>	<b>1,122,835</b>	<b>-</b>	<b>1,122,835</b>	<b>994,964</b>	<b>-</b>	<b>994,964</b>
18.1 Assets held for sale		1,122,835	-	1,122,835	994,964	-	994,964
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>V-I-15</b>	<b>1,725,934</b>	<b>817,460</b>	<b>2,543,394</b>	<b>1,638,950</b>	<b>1,031,880</b>	<b>2,670,830</b>
<b>TOTAL ASSETS</b>		<b>128,140,714</b>	<b>69,471,105</b>	<b>197,611,819</b>	<b>116,961,496</b>	<b>65,985,628</b>	<b>182,947,124</b>

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 SEPTEMBER 2016**

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

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 30 September 2016			Audited Prior Period 31 December 2015		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>87,368,850</b>	<b>32,617,497</b>	<b>119,986,347</b>	<b>76,470,518</b>	<b>33,452,016</b>	<b>109,922,534</b>
1.1	Deposits of the risk group	V-V-1	2,243,394	273,053	2,516,447	1,625,019	185,477	1,810,496
1.2	Other deposits		85,125,456	32,344,444	117,469,900	74,845,499	33,266,539	108,112,038
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>188,677</b>	<b>251,349</b>	<b>440,026</b>	<b>139,504</b>	<b>150,085</b>	<b>289,589</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>514,051</b>	<b>17,345,535</b>	<b>17,859,586</b>	<b>332,783</b>	<b>18,223,214</b>	<b>18,555,997</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>12,048,794</b>	<b>1,886,405</b>	<b>13,935,199</b>	<b>9,340,604</b>	<b>3,403,437</b>	<b>12,744,041</b>
4.1	Interbank money market takings		1,600,367	-	1,600,367	1,150,343	-	1,150,343
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		10,448,427	1,886,405	12,334,832	8,190,261	3,403,437	11,593,698
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>	<b>V-II-3</b>	<b>3,223,089</b>	<b>8,788,291</b>	<b>12,011,380</b>	<b>3,128,044</b>	<b>7,419,715</b>	<b>10,547,759</b>
5.1	Bills		3,223,089	-	3,223,089	3,128,044	-	3,128,044
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	8,788,291	8,788,291	-	7,419,715	7,419,715
<b>VI.</b>	<b>FUNDS</b>		<b>3,638</b>	<b>-</b>	<b>3,638</b>	<b>4,228</b>	<b>-</b>	<b>4,228</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Other		3,638	-	3,638	4,228	-	4,228
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>4,007,774</b>	<b>409,751</b>	<b>4,417,525</b>	<b>3,539,365</b>	<b>620,852</b>	<b>4,160,217</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>891,657</b>	<b>1,371,207</b>	<b>2,262,864</b>	<b>601,292</b>	<b>1,770,238</b>	<b>2,371,530</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>LEASE PAYABLES</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-II-6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>V-II-7</b>	<b>3,135,975</b>	<b>19,267</b>	<b>3,155,242</b>	<b>2,906,753</b>	<b>17,019</b>	<b>2,923,772</b>
12.1	General provisions	V-II-7	2,131,149	11,649	2,142,798	1,944,150	13,453	1,957,603
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		679,425	-	679,425	674,894	-	674,894
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions	V-II-7	325,401	7,618	333,019	287,709	3,566	291,275
<b>XIII.</b>	<b>TAX LIABILITIES</b>	<b>V-II-8</b>	<b>453,326</b>	<b>1,573</b>	<b>454,899</b>	<b>488,757</b>	<b>1,678</b>	<b>490,435</b>
13.1	Current tax liabilities		453,326	1,573	454,899	488,757	1,678	490,435
13.2	Deferred tax liabilities	V-I-15	-	-	-	-	-	-
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS</b>	<b>V-II-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>V-II-10</b>	<b>-</b>	<b>4,302,271</b>	<b>4,302,271</b>	<b>-</b>	<b>4,169,474</b>	<b>4,169,474</b>
<b>XVI.</b>	<b>EQUITY</b>		<b>18,455,030</b>	<b>327,812</b>	<b>18,782,842</b>	<b>16,336,411</b>	<b>431,137</b>	<b>16,767,548</b>
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		2,271,608	327,812	2,599,420	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	697,155	327,812	1,024,967	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		1,920,975	-	1,920,975	1,930,109	-	1,930,109
16.4.1	Prior years' profit/loss		-	-	-	-	-	-
16.4.2	Current period's profit/loss		1,920,975	-	1,920,975	1,930,109	-	1,930,109
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>130,290,861</b>	<b>67,320,958</b>	<b>197,611,819</b>	<b>113,288,259</b>	<b>69,658,865</b>	<b>182,947,124</b>

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 SEPTEMBER 2016**

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

	Notes	Reviewed Current Period 30 September 2016			Audited Prior Period 31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>68,346,256</b>	<b>65,012,843</b>	<b>133,359,099</b>	<b>54,047,046</b>	<b>63,505,765</b>	<b>117,552,811</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>24,808,408</b>	<b>10,647,479</b>	<b>35,455,887</b>	<b>22,083,837</b>	<b>10,984,524</b>	<b>33,068,361</b>
1.1 Letters of guarantee		24,745,803	4,846,321	29,592,124	21,980,769	4,810,034	26,790,803
1.1.1 Guarantees subject to State Tender Law		2,818,872	2,214,718	5,033,590	2,542,809	2,199,589	4,742,398
1.1.2 Guarantees given for foreign trade operations		1,047,135	-	1,047,135	1,030,530	-	1,030,530
1.1.3 Other letters of guarantee		20,879,796	2,631,603	23,511,399	18,407,430	2,610,445	21,017,875
1.2 Bank acceptances		49,966	822,345	872,311	86,762	1,389,251	1,476,013
1.2.1 Import letter of acceptance		-	323,642	323,642	1,590	189,471	191,061
1.2.2 Other bank acceptances		49,966	498,703	548,669	85,172	1,199,780	1,284,952
1.3 Letters of credit		12,639	4,959,773	4,972,412	16,306	4,772,403	4,788,709
1.3.1 Documentary letters of credit		12,639	4,959,773	4,972,412	16,306	4,772,403	4,788,709
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,382	2,382	-	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		-	12,434	12,434	-	10,522	10,522
1.9 Other sureties		-	4,224	4,224	-	-	-
<b>II. COMMITMENTS</b>		<b>24,106,303</b>	<b>10,581,250</b>	<b>34,687,553</b>	<b>21,439,019</b>	<b>13,120,948</b>	<b>34,559,967</b>
2.1 Irrevocable commitments		21,344,621	889,551	22,234,172	19,031,959	3,730,953	22,762,912
2.1.1 Asset purchase commitments	V-III-1	624,671	889,551	1,514,222	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	9,022,432	-	9,022,432	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	1,971,457	-	1,971,457	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	8,237,590	-	8,237,590	7,399,361	-	7,399,361
2.1.10 Commitments for credit card and banking operations promotions		362,097	-	362,097	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		1,126,374	-	1,126,374	1,035,756	-	1,035,756
2.2 Revocable commitments		2,761,682	9,691,699	12,453,381	2,407,060	9,389,995	11,797,055
2.2.1 Revocable loan granting commitments		2,761,682	9,691,699	12,453,381	2,407,060	9,389,995	11,797,055
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>19,431,545</b>	<b>43,784,114</b>	<b>63,215,659</b>	<b>10,524,190</b>	<b>39,400,293</b>	<b>49,924,483</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		19,431,545	43,784,114	63,215,659	10,524,190	39,400,293	49,924,483
3.2.1 Forward foreign currency purchases/sales		463,926	439,419	903,345	211,514	257,246	468,760
3.2.1.1 Forward foreign currency purchases		232,339	219,768	452,107	106,014	128,693	234,707
3.2.1.2 Forward foreign currency sales		231,587	219,651	451,238	105,500	128,553	234,053
3.2.2 Currency and interest rate swaps		17,334,301	34,961,252	52,295,553	9,442,940	30,544,698	39,987,638
3.2.2.1 Currency swaps-purchases		11,176,109	10,141,821	21,317,930	4,382,013	12,050,672	16,432,685
3.2.2.2 Currency swaps-sales		4,958,192	11,293,839	16,252,031	4,160,927	6,080,268	10,241,195
3.2.2.3 Interest rate swaps-purchases		600,000	6,762,796	7,362,796	450,000	6,206,879	6,656,879
3.2.2.4 Interest rate swaps-sales		600,000	6,762,796	7,362,796	450,000	6,206,879	6,656,879
3.2.3 Currency, interest rate and security options		554,056	586,672	1,140,728	258,134	255,396	513,530
3.2.3.1 Currency call options		249,738	313,894	563,632	65,004	185,976	250,980
3.2.3.2 Currency put options		304,318	272,778	577,096	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		1,079,262	7,796,771	8,876,033	611,602	8,342,953	8,954,555
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>1,024,566,464</b>	<b>484,431,620</b>	<b>1,508,998,084</b>	<b>899,689,613</b>	<b>421,931,972</b>	<b>1,321,621,585</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>81,259,337</b>	<b>3,400,048</b>	<b>84,659,385</b>	<b>74,007,877</b>	<b>3,193,339</b>	<b>77,201,216</b>
4.1 Customers' securities held		-	-	-	-	28,306	28,306
4.2 Investment securities held in custody		70,415,453	126,817	70,542,270	63,189,794	118,086	63,307,880
4.3 Checks received for collection		8,794,631	2,242,377	11,037,008	8,967,543	2,282,378	11,249,921
4.4 Commercial notes received for collection		963,088	336,307	1,299,395	1,065,285	310,417	1,375,702
4.5 Other assets received for collection		2,152	120	2,272	2,152	116	2,268
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		309	47,070	47,379	309	48,883	49,192
4.8 Custodians		1,083,704	647,357	1,731,061	782,794	405,153	1,187,947
<b>V. PLEDGED ITEMS</b>		<b>268,626,613</b>	<b>88,434,478</b>	<b>357,061,091</b>	<b>235,391,497</b>	<b>82,272,386</b>	<b>317,663,883</b>
5.1 Securities		469,868	13,875	483,743	435,193	14,171	449,364
5.2 Guarantee notes		770,024	502,440	1,272,464	792,339	429,076	1,221,415
5.3 Commodities		31,126,570	689,440	31,816,010	28,164,121	681,732	28,845,853
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		221,035,543	73,236,788	294,272,331	191,738,765	67,309,165	259,047,930
5.6 Other pledged items		14,701,479	13,839,628	28,541,107	13,657,901	13,683,601	27,341,502
5.7 Pledged items-depository		523,129	152,307	675,436	603,178	154,641	757,819
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>674,680,514</b>	<b>392,597,094</b>	<b>1,067,277,608</b>	<b>590,290,239</b>	<b>336,466,247</b>	<b>926,756,486</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>1,092,912,720</b>	<b>549,444,463</b>	<b>1,642,357,183</b>	<b>953,736,659</b>	<b>485,437,737</b>	<b>1,439,174,396</b>

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 NINE-MONTH ENDED 30 SEPTEMBER 2016**

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

	Notes	Reveiwed Current Period 1 January 2016- 30 September 2016	Reveiwed Prior Period 1 January 2015- 30 September 2015	Reveiwed Current Period 1 July 2016- 30 September 2016	Reveiwed Prior Period 1 July 2015- 30 September 2015
<b>I. INTEREST INCOME</b>		<b>12,111,223</b>	<b>9,875,205</b>	<b>4,274,110</b>	<b>3,426,558</b>
1.1 Interest income from loans	V-IV-1	10,323,261	8,408,428	3,650,790	3,024,583
1.2 Interest income from reserve deposits		81,523	20,223	26,581	12,079
1.3 Interest income from banks	V-IV-1	17,672	7,080	5,098	2,756
1.4 Interest income from money market transactions		-	-	-	-
1.5 Interest income from securities portfolio	V-IV-1	1,685,678	1,438,210	590,206	387,017
1.5.1 Trading financial assets		-	-	-	-
1.5.2 Financial assets designated at fair value through profit or loss		-	-	-	-
1.5.3 Available-for-sale financial assets		1,144,453	999,084	391,398	285,600
1.5.4 Held-to-maturity investments		541,225	439,126	198,808	101,417
1.6 Finance lease income		-	-	-	-
1.7 Other interest income		3,089	1,264	1,435	123
<b>II. INTEREST EXPENSE</b>		<b>7,093,240</b>	<b>5,935,618</b>	<b>2,354,319</b>	<b>2,159,747</b>
2.1 Interest expense on deposits	V-IV-2	5,391,531	4,411,455	1,767,730	1,587,716
2.2 Interest expense on funds borrowed	V-IV-2	249,362	195,486	90,085	68,985
2.3 Interest expense on money market transactions		744,811	683,543	260,322	266,326
2.4 Interest expense on securities issued	V-IV-2	478,745	439,899	165,739	161,305
2.5 Other interest expenses		228,791	205,235	70,443	75,415
<b>III. NET INTEREST INCOME (I – II)</b>		<b>5,017,983</b>	<b>3,939,587</b>	<b>1,919,791</b>	<b>1,266,811</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>702,715</b>	<b>673,575</b>	<b>246,955</b>	<b>224,150</b>
4.1 Fees and commissions received		1,099,862	1,031,571	376,727	349,975
4.1.1 Non-cash loans		166,252	131,023	56,859	42,989
4.1.2 Others		933,610	900,548	319,868	306,986
4.2 Fees and commissions paid		397,147	357,996	129,772	125,825
4.2.1 Non-cash loans		28	89	9	22
4.2.2 Others		397,119	357,907	129,763	125,803
<b>V. DIVIDEND INCOME</b>		<b>91,722</b>	<b>62,130</b>	<b>9,000</b>	<b>-</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>		<b>218,525</b>	<b>95,568</b>	<b>145,706</b>	<b>2,382</b>
6.1 Trading account income/losses	V-IV-3	48,179	58,330	7,697	2,337
6.2 Income/losses from derivative financial instruments	V-IV-3	85,858	8,349	110,974	1,807
6.3 Foreign exchange gains/losses	V-IV-3	84,488	28,889	27,035	(1,762)
<b>VII. OTHER OPERATING INCOME</b>		<b>802,232</b>	<b>753,507</b>	<b>224,560</b>	<b>209,637</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>6,833,177</b>	<b>5,524,367</b>	<b>2,546,012</b>	<b>1,702,980</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>		<b>1,537,036</b>	<b>1,191,393</b>	<b>547,007</b>	<b>201,322</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>		<b>2,872,845</b>	<b>2,679,324</b>	<b>966,519</b>	<b>918,707</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,423,296</b>	<b>1,653,650</b>	<b>1,032,486</b>	<b>582,951</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>		<b>2,423,296</b>	<b>1,653,650</b>	<b>1,032,486</b>	<b>582,951</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>		<b>(502,321)</b>	<b>(380,171)</b>	<b>(215,098)</b>	<b>(130,409)</b>
16.1 Current tax charges		(593,583)	(179,258)	(170,112)	(57,438)
16.2 Deferred tax credits		91,262	(200,913)	(44,986)	(72,971)
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)</b>		<b>1,920,975</b>	<b>1,273,479</b>	<b>817,388</b>	<b>452,542</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
<b>XXII. NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>		<b>1,920,975</b>	<b>1,273,479</b>	<b>817,388</b>	<b>452,542</b>
Profit/Loss per 100 shares (full TL)		0.7684	0.5094	0.3270	0.1810

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 NINE-MONTH ENDED 30 SEPTEMBER 2016**

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

	Reveiwed Current Period 1 January 2016- 30 September 2016	Reveiwed Prior Period 1 January 2015- 30 September 2015	Reveiwed Current Period 1 July 2016- 30 September 2016	Reveiwed Prior Period 1 July 2015- 30 September 2015
<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>				
<b>I.</b>	<b>VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>			
	227,300	(880,962)	(158,495)	(399,602)
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>			
	(247)	577,314	-	577,314
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>			
	-	-	-	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES</b>			
	-	-	-	-
<b>V.</b>	<b>GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>			
	-	-	-	-
<b>VI.</b>	<b>GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>			
	-	-	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>			
	-	-	-	-
<b>VIII.</b>	<b>OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>			
	9,285	95,903	63,666	153,910
<b>IX.</b>	<b>DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>			
	(42,019)	139,546	32,339	41,669
<b>X.</b>	<b>NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>			
	194,319	(68,199)	(62,490)	373,291
<b>XI.</b>	<b>CURRENT PERIOD'S PROFIT/(LOSS)</b>			
	1,920,975	1,273,479	817,388	452,542
11.1	32,937	50,337	1,879	97
11.2	Change in fair value of securities (transfers to the statement of income)			
11.3	Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges			
	-	-	-	-
11.4	Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges			
	-	-	-	-
11.4	Others			
	1,888,038	1,223,142	815,509	452,445
<b>XII.</b>	<b>TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>			
	<b>2,115,294</b>	<b>1,205,280</b>	<b>754,898</b>	<b>825,833</b>

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 NINE-MONTH ENDED 30 SEPTEMBER 2016**

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

REVIEWED	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellati on Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders ' Equity	
<b>I.</b>	<b>PRIOR PERIOD – 30 September 2015</b>																			
	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	
<b>II.</b>	<b>Corrections made according to TAS 8</b>																			
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>Adjusted beginning balance (I+II)</b>	<b>2,500,000</b>	<b>-</b>	<b>723,918</b>	<b>-</b>	<b>1,012,796</b>	<b>-</b>	<b>7,214,708</b>	<b>235,227</b>	<b>-</b>	<b>1,753,273</b>	<b>1,216,969</b>	<b>45,637</b>	<b>69,222</b>	<b>-</b>	<b>-</b>	<b>14,771,750</b>	<b>-</b>	<b>14,771,750</b>	
	Changes during the period																			
<b>IV.</b>	<b>Mergers</b>																			
<b>V.</b>	<b>Associates, Subsidiaries and "Available-for-sale" securities</b>											(616,647)					(616,647)		(616,647)	
<b>VI.</b>	<b>Hedges for risk management</b>																			
6.1	Net cash flow hedges																			
6.2	Net foreign investment hedges																			
<b>VII.</b>	<b>Revaluation surplus on tangible assets</b>												548,448				548,448		548,448	
<b>VIII.</b>	<b>Revaluation surplus on intangible assets</b>																			
<b>IX.</b>	<b>Bonus shares of associates, subsidiaries and joint-ventures</b>																			
<b>X.</b>	<b>Translation differences</b>																			
<b>XI.</b>	<b>Changes resulted from disposal of assets</b>																			
<b>XII.</b>	<b>Changes resulted from reclassifications of the assets</b>																			
<b>XIII.</b>	<b>Effect of change in equities of associates on the Bank's equity</b>																			
<b>XIV.</b>	<b>Capital increase</b>																			
14.1	Cash																			
14.2	Internal sources																			
<b>XV.</b>	<b>Share issuance</b>																			
<b>XVI.</b>	<b>Share cancellation profits</b>																			
<b>XVII.</b>	<b>Capital reserves from inflation adjustments to paid-in capital</b>																			
<b>XVIII.</b>	<b>Other</b>																			
<b>XIX.</b>	<b>Current period's net profit/loss</b>									1,273,479							1,273,479		1,273,479	
<b>XX.</b>	<b>Profit distribution</b>																			
20.1	Dividends					161,214		1,114,821	141,116		(1,753,273)		236,122				(100,000)		(100,000)	
20.2	Transferred to reserves					161,214		1,114,821	141,116		(1,653,273)		236,122				(100,000)		(100,000)	
20.3	Other																			
	<b>Balances at the end of the period</b>	<b>2,500,000</b>	<b>-</b>	<b>723,918</b>	<b>-</b>	<b>1,174,010</b>	<b>-</b>	<b>8,329,529</b>	<b>376,343</b>	<b>1,273,479</b>	<b>-</b>	<b>600,322</b>	<b>830,207</b>	<b>69,222</b>	<b>-</b>	<b>-</b>	<b>15,877,030</b>	<b>-</b>	<b>15,877,030</b>	

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 NINE-MONTH ENDED 30 SEPTEMBER 2016**

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

REVIEWED	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancell ation Profits	Legal Reserves	Status Reserve s	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Shareholders' Equity before Discount.	Minority Interest	Minority Interest	Shareholders' Equity	Total Shareholders' Equity
<b>CURRENT PERIOD- 30 September 2016</b>																				
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	-	-	-	-	-	-	-	-	-	-	194,554	-	-	-	-	194,554	-	-	194,554
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	(235)	-	-	-	(235)	-	-	(235)
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of 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	-	-	-	-	-	-	-	-	1,920,975	-	-	-	-	-	-	1,920,975	-	-	1,920,975
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balances at the end of the period</b>	<b>2,500,000</b>	<b>-</b>	<b>723,918</b>	<b>-</b>	<b>1,367,022</b>	<b>-</b>	<b>9,964,966</b>	<b>380,198</b>	<b>1,920,975</b>	<b>-</b>	<b>1,024,967</b>	<b>831,574</b>	<b>69,222</b>	<b>-</b>	<b>-</b>	<b>18,782,842</b>	<b>-</b>	<b>-</b>	<b>18,782,842</b>

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 NINE-MONTH ENDED AT 30 SEPTEMBER 2016**

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

	Notes	Revised Current Period 30 September 2016	Revised Prior Period 30 September 2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>3,026,584</b>	<b>1,441,826</b>
1.1.1 Interests received		11,545,982	8,932,944
1.1.2 Interests paid		(6,929,095)	(5,672,581)
1.1.3 Dividends received		14,819	36,072
1.1.4 Fee and commissions received		1,099,862	1,031,571
1.1.5 Other income		99,968	67,849
1.1.6 Collections from previously written-off loans and other receivables		800,754	619,699
1.1.7 Payments to personnel and service suppliers		(1,281,851)	(1,166,846)
1.1.8 Taxes paid		(739,025)	(463,037)
1.1.9 Other		(1,584,830)	(1,943,845)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(4,050,160)</b>	<b>(2,160,755)</b>
1.2.1 Net (increase) decrease in financial assets held for trading purpose		-	(1,491)
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		825,549	(5,928,935)
1.2.4 Net (increase) decrease in loans		(15,568,196)	(20,527,126)
1.2.5 Net (increase) decrease in other assets		171,434	(153,065)
1.2.6 Net increase (decrease) in bank deposits		532,177	1,899,166
1.2.7 Net increase (decrease) in other deposits		9,368,369	18,819,198
1.2.8 Net increase (decrease) in funds borrowed		(727,782)	4,333,832
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		1,348,289	(602,334)
<b>I. Net cash flow from banking operations</b>		<b>(1,023,576)</b>	<b>(718,929)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>(178,074)</b>	<b>(1,511,464)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(128,863)	(420,553)
2.4 Proceeds from disposal of tangible assets		281,221	454,472
2.5 Cash paid for purchase of available-for-sale financial assets		(4,100,011)	(3,810,566)
2.6 Proceeds from disposal of available-for-sale financial assets		3,987,006	2,680,840
2.7 Cash paid for purchase of held-to-maturity investments		(1,734,464)	(955,213)
2.8 Proceeds from disposal of held-to-maturity investments		1,554,938	576,755
2.9 Other		(37,901)	(37,199)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>1,433,553</b>	<b>3,815,218</b>
3.1 Cash obtained from funds borrowed and securities issued		8,647,001	9,393,901
3.2 Cash used for repayment of funds borrowed and securities issued		(7,113,448)	(5,478,683)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(100,000)	(100,000)
3.5 Repayments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>		<b>40,860</b>	<b>6,719</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>272,763</b>	<b>1,591,544</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>8,200,424</b>	<b>8,182,469</b>
<b>VII. Cash and cash equivalents at the end of the period</b>		<b>8,473,187</b>	<b>9,774,013</b>

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

As of September 30, 2016 reporting period, the Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG’s 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement in the current period is TL 11,041. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of 30 September 2016, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

**III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES**

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

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

**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.

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**ACCOUNTING POLICIES (Continued)**

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

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

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.

**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.

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**ACCOUNTING POLICIES (Continued)**

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

**Available-for-sale financial assets**

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

**Held to maturity investments**

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

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

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

**Loans and receivables**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS**

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

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

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

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



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**ACCOUNTING POLICIES (Continued)**

**XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES**

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated 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%.

**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.

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**ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON TANGIBLE ASSETS (Devamı)**

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

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

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

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

**XIV. INFORMATION ON LEASING ACTIVITIES**

**Leasing activities**

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

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

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

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

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

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

**Operational leases**

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**Reserve for employee termination benefits**

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 30 September 2016 is TL 4,297 (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 September 2016 and 31 December 2015, the major actuarial assumptions used in the calculation of the total liability are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
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.

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**ACCOUNTING POLICIES (Continued)**

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

**Pension fund**

The employees of the Bank are the members of “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) established on 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 whose disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the 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.

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. 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 5 June 2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

***North Iraq (Erbil)***

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

***USA (New York)***

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

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**ACCOUNTING POLICIES (Continued)**

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

**Banking and Insurance Transaction Tax**

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

**Deferred taxes**

According to the TAS 12 - Income Taxes; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. The delayed tax debt or assets is determined by calculating the “taxable temporary differences “ between the assets’ and debts’ book values versus the values on the legal tax base accounts . According to tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities at the acquisition date are excluded from these calculations.

According to 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.

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**ACCOUNTING POLICIES (Continued)**

**XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS**

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

**XIX. ADDITIONAL INFORMATION ON BORROWINGS**

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

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

The bank is not hedging about debt instruments.

**XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES**

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS**

**Earnings per shares**

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

As at and for the nine month ended 30 September 2016, earnings per 100 shares are full TL 0.7684 (30 September 2015: full TL 0.5094).

**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.



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**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT**

**I. INFORMATION ON EQUITY ITEMS**

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to “Regulation on Bank's Capital Adequacy Assessment of the Measurement“, “Communique on Credit Risk Mitigation”, “BRSA Regulation on Bank’s Shareholder Equity”, “Regulations on Systemically Important Banks”, “Regulation on Capital Conservation and Cyclical Capital Buffer”. As of 30 September 2016 Bank’s capital adequacy ratio is 14.42% (31 December 2015: 14.52%).

	<b>Current Period 30 September 2016</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	1,868,776	
Profit	<b>1,920,975</b>	
Current Period’s Profit	1,920,975	
Prior Period’s Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	69,222	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>18,845,338</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	62,496	-
Leasehold Improvements on Operational Leases	101,247	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	115,665	192,775
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>279,408</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>18,565,930</b>	
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank’s borrowing instruments and related issuance premium	-	-

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

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

	Current Period 30 September 2016	Amount as per the regulation before 1/1/2014(*)
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
<b>Additional Tier 1 Capital before deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>	-	-
Bank's 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	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	77,110	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>18,488,820</b>	-
<b>TIER 2 CAPITAL</b>	-	-
Bank's borrowing instruments and related issuance premium	2,470,101	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,801,012	-
<b>Tier 2 Capital Before Deductions</b>	<b>4,271,113</b>	-
<b>Deductions From Tier 2 Capital</b>	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>4,271,113</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>22,759,933</b>	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	129,177	-
Other items to be defined by the BRSA (-)	599	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
<b>TOTAL CAPITAL</b>	-	-
Total Capital	22,630,157	-
Total Risk Weighted Amounts	156,907,910	-
<b>Capital Adequacy Ratios</b>	-	-
Core Capital Adequacy Ratio (%)	11.83	-
Tier 1 Capital Adequacy Ratio (%)	11.78	-
Capital Adequacy Ratio (%)	14.42	-

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

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

	Current Period 30 September 2016	Amount as per the regulation before 1/1/2014(*)
<b>BUFFERS</b>		
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 (%)	7.33	-
<b>Amounts below deduction thresholds</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,142,798	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,801,012	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

**Summary information related to capital adequacy ratio**

	<b>Prior Period</b>
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) <sup>(*)</sup>	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.

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

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

	<b>Prior Period</b>
<b>COMMON EQUITY TIER I CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation After All Creditors	2,500,000
Share Premium	723,918
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
<b>Common Equity Tier I Capital Before Deductions</b>	<b>17,082,301</b>
<b>Deductions from Common Equity Tier I Capital</b>	
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 (-)	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>487,157</b>
<b>Total Common Equity Tier I Capital</b>	<b>16,595,144</b>
<b>ADDITIONAL CORE CAPITAL</b>	
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)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	
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 (-)	-

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

	<b>Prior Period</b>
<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	<b>102,766</b>
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 (-)	-
<b>Total Core Capital</b>	<b>16,492,378</b>
<b>TIER II CAPITAL</b>	
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
<b>Tier II Capital before Deductions</b>	<b>5,045,078</b>
<b>Deductions from Tier II Capital</b>	
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>5,045,078</b>
<b>CAPITAL</b>	<b>21,537,456</b>
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 (-)	-
<b>EQUITY</b>	<b>21,398,645</b>
<b>Amounts Lower than Excesses as per Deduction Rules</b>	<b>-</b>
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

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

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

Issuer	T. Vakıflar Bankası T.A.O.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0849728190/ US90015NAB91 XS1175854923/ US90015WAC73
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB-II-31.1 BRSA regulation on bank’s shareholder equity
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction.
Eligible at solo/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	2,470
Par value of instrument (in million)	4,193
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.
<b>Coupons / dividends*</b>	
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
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
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

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

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

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

	<b>30 September 2016</b>
Shareholders’ equity	18,782,842
Leasehold improvements on operational leases	(101,247)
Goodwill and intangible assets	(115,665)
General provision (1.25% of the amount that subject to credit risk)	1,801,012
Subordinated debt	2,470,101
Deductions from shareholders’ equity	(206,886)
<b>Capital</b>	<b>22,630,157</b>

**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 September 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:

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	2.9950	3.3604
<b>Foreign currency purchase rates for the days before balance sheet date:</b>		
Day 1	2.9200	3.2780
Day 2	2.9200	3.2733
Day 3	2.9100	3.2717
Day 4	2.9300	3.2901
Day 5	2.8900	3.2368
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	2.9018	3.2576

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

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

**Information on currency risk**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets:</b>				
Cash and balances with the Central Bank of Republic of Turkey	2,251,258	11,408,664	5,015,265	18,675,187
Banks	2,117,647	2,208,926	203,346	4,529,919
Financial assets at fair value through profit or loss <sup>(1)</sup>	-	175,003	-	175,003
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	830,266	3,750,019	-	4,580,285
Loans and receivables <sup>(2)</sup>	15,850,641	28,193,524	84,211	44,128,376
Associates, subsidiaries and joint-ventures	393,757	-	-	393,757
Held-to-maturity investments	-	104,842	-	104,842
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	6,421	-	6,421
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	159,009	596,715	20	755,744
<b>Total assets</b>	<b>21,602,578</b>	<b>46,444,114</b>	<b>5,302,842</b>	<b>73,349,534</b>
<b>Liabilities:</b>				
Bank deposits	666,334	2,395,873	82,652	3,144,859
Foreign currency deposits	11,161,145	17,553,989	757,504	29,472,638
Interbank money market takings	-	1,886,405	-	1,886,405
Other funding	7,484,975	9,860,560	-	17,345,535
Securities issued	3,615,914	5,172,377	-	8,788,291
Miscellaneous payables	383,538	25,760	453	409,751
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities <sup>(1) (4)</sup>	65,666	5,742,098	562	5,808,326
<b>Total liabilities</b>	<b>23,377,572</b>	<b>42,637,062</b>	<b>841,171</b>	<b>66,855,805</b>
<b>Net ‘on balance sheet’ position</b>	<b>(1,774,994)</b>	<b>3,807,052</b>	<b>4,461,671</b>	<b>6,493,729</b>
<b>Net ‘off-balance sheet’ position</b>	<b>2,122,803</b>	<b>(2,488,096)</b>	<b>(4,457,762)</b>	<b>(4,823,055)</b>
Derivative assets <sup>(6)</sup>	4,147,487	15,688,618	89,200	19,925,305
Derivative liabilities <sup>(6)</sup>	2,024,684	18,176,714	4,546,962	24,748,360
Non-cash loans <sup>(5)</sup>	3,479,221	6,907,621	260,637	10,647,479
<b>Prior Period</b>				
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
<b>Net ‘on balance sheet’ position</b>	<b>(4,785,599)</b>	<b>1,567,194</b>	<b>3,589,790</b>	<b>371,385</b>
<b>Net ‘off-balance sheet’ position</b>	<b>5,449,875</b>	<b>(441,420)</b>	<b>(3,577,895)</b>	<b>1,430,560</b>
Derivative assets <sup>(6)</sup>	7,542,857	12,701,193	2,036,853	22,280,903
Derivative liabilities <sup>(6)</sup>	2,092,982	13,142,613	5,614,748	20,850,343
Non-cash loans <sup>(5)</sup>	3,006,375	7,731,618	246,531	10,984,524

<sup>(1)</sup> Derivative financial assets amounting to TL 4,537 (31 December 2015: TL (51,275)) and liabilities amounting to TL 10,022 (31 December 2015: TL (12,881)) resulting from changes in foreign exchange rates are not included.

<sup>(2)</sup> Foreign currency indexed loans amounting to TL 3,944,682 (31 December 2015: TL 3,530,360) which are presented in TL column in the balance sheet are included in the table above.

<sup>(3)</sup> Prepaid expenses amounting to TL 61,716 (31 December 2015: TL 61,724) is not included.

<sup>(4)</sup> Unearned revenues amounting to TL 127,319 (31 December 2015: TL 106,455) and equities amounting to TL 327,812 (31 December 2015: TL 431,137) are not included.

<sup>(5)</sup> Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.

<sup>(6)</sup> Asset purchase commitments amounting to TL 319,928 (31 December 2015: TL 1,835,888) and asset sales commitments amounting to TL 569,623 (31 December 2015: TL 1,895,065) are included.



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

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

**Exposure to currency risk**

10 percent depreciation of the TL against the following currencies as at and for the nine month ended 30 September 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 September 2016		30 September 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	131,254	131,254	93,939	93,939
Euro	(4,595)	(4,595)	(16,295)	(16,295)
Other currencies	391	391	1,943	1,943
<b>Total, net(**)</b>	<b>127,050</b>	<b>127,050</b>	<b>79,587</b>	<b>79,587</b>

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

	30 September 2016		30 September 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(131,254)	(131,254)	(92,543)	(92,543)
Euro	4,595	4,595	16,295	16,295
Other currencies	(391)	(391)	(1,817)	(1,817)
<b>Total, net(**)</b>	<b>(127,050)</b>	<b>(127,050)</b>	<b>(78,065)</b>	<b>(78,065)</b>

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

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

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

**III. INTEREST RATE RISK**

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

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

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

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

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	12,550,455	-	-	-	-	9,085,719	21,636,174
Banks	2,937,322	251,983	-	-	-	1,340,619	4,529,924
Financial assets at fair value through profit/loss	258,797	368,072	4,006	82,600	148,815	-	862,290
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2,175,646	1,848,699	5,729,945	4,932,891	2,528,255	23,322	17,238,758
Loans and receivables	44,949,674	22,922,288	37,993,625	20,425,547	10,644,873	1,033,740	137,969,747
Held-to-maturity investments	682,560	4,066,678	1,850,325	1,259,800	228,111	-	8,087,474
Other assets (*)	9,117	625	14,418	1,354	-	7,261,938	7,287,452
<b>Total assets</b>	<b>63,563,571</b>	<b>29,458,345</b>	<b>45,592,319</b>	<b>26,702,192</b>	<b>13,550,054</b>	<b>18,745,338</b>	<b>197,611,819</b>
<i>Liabilities:</i>							
Bank deposits	4,634,782	1,017,557	210,535	-	-	277,100	6,139,974
Other deposits	62,671,228	23,119,144	5,709,190	91,798	-	22,255,013	113,846,373
Interbank money market takings	13,423,940	-	-	447,082	64,177	-	13,935,199
Miscellaneous payables	-	-	-	-	-	4,417,525	4,417,525
Securities issued	502,050	1,896,882	3,126,308	6,486,140	-	-	12,011,380
Funds borrowed	3,230,656	6,409,814	6,026,932	1,012,843	1,179,341	-	17,859,586
Other liabilities (**)	22,204	136,634	197,963	1,081,451	3,307,683	24,655,847	29,401,782
<b>Total liabilities</b>	<b>84,484,860</b>	<b>32,580,031</b>	<b>15,270,928</b>	<b>9,119,314</b>	<b>4,551,201</b>	<b>51,605,485</b>	<b>197,611,819</b>
On balance sheet long position	-	-	30,321,391	17,582,878	8,998,853	-	56,903,122
On balance sheet short position	(20,921,289)	(3,121,686)	-	-	-	(32,860,147)	(56,903,122)
Off-balance sheet long position	1,362,127	2,732,374	-	-	-	-	4,094,501
Off-balance sheet short position	-	-	(627,236)	(2,706,455)	(179,700)	-	(3,513,391)
<b>Net Position</b>	<b>(19,559,162)</b>	<b>(389,312)</b>	<b>29,694,155</b>	<b>14,876,423</b>	<b>8,819,153</b>	<b>(32,860,147)</b>	<b>581,110</b>

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

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

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

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

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets:</b>							
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
<b>Total assets</b>	<b>63,578,992</b>	<b>30,828,639</b>	<b>34,126,356</b>	<b>24,822,447</b>	<b>12,627,129</b>	<b>16,963,561</b>	<b>182,947,124</b>
<b>Liabilities:</b>							
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
<b>Total liabilities</b>	<b>78,954,668</b>	<b>29,834,037</b>	<b>13,612,246</b>	<b>7,905,851</b>	<b>5,648,860</b>	<b>46,991,462</b>	<b>182,947,124</b>
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)
<b>Net Position</b>	<b>(14,168,608)</b>	<b>3,292,217</b>	<b>20,199,099</b>	<b>15,190,940</b>	<b>6,076,169</b>	<b>(30,027,901)</b>	<b>561,916</b>

(\*) 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 (\*):**

<b>Current Period</b>	<b>Euro %</b>	<b>US Dollar %</b>	<b>Yen %</b>	<b>TL %</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	0.49	-	2.78
Banks	0.02	0.71	-	-
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.24	6.39	-	9.58
Loans and receivables	4.16	5.37	-	12.42
Held-to-maturity investments	-	1.77	-	9.75
<b>Liabilities:</b>				
Bank deposits	0.22	0.78	-	10.25
Other deposits	1.33	2.56	-	9.80
Interbank money market takings	-	0.95	-	7.76
Miscellaneous payables	-	-	-	-
Securities issued	2.78	4.62	-	9.32
Funds borrowed	1.02	2.12	-	10.21

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. INTEREST RATE RISK (Continued)

Prior Period	Euro	US Dollar	Yen	TL
	%	%	%	%
<b>Assets:</b>				
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
<b>Liabilities:</b>				
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 <sup>(*)</sup>	Market Value <sup>(*)</sup>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>545,998</b>	<b>545,998</b>	<b>545,998</b>
1.Stocks Investments Group A	545,998	545,998	545,998
2.Stock Investments Group B	-	-	-
3.Stock Investment Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>1,426,571</b>	<b>1,346,609</b>	<b>-</b>

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. STOCK POSITION RISKS (Continued)

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

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

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

**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 <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	55,626	55,626
3. Other Stocks	-	812,385	812,385	-	-
<b>4. Total</b>	<b>-</b>	<b>812,385</b>	<b>812,385</b>	<b>55,626</b>	<b>55,626</b>

(\*) 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 <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	97,259	97,259
3. Other Stocks	-	837,276	837,276	-	-
<b>4. Total</b>	<b>-</b>	<b>837,276</b>	<b>837,276</b>	<b>97,259</b>	<b>97,259</b>

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

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

**IV. STOCK POSITION RISKS (Continued)**

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

<b>Portfolio-Current Period</b>	<b>Carrying Value</b>	<b>Total RWA</b>	<b>Minimum Capital Requirement</b>
1.Private Equity Investments	-	-	-
2.Quoted	545,998	545,998	43,680
3.Other Stocks	1,426,571	1,426,571	114,126
<b>4. Total</b>	<b>1,972,569</b>	<b>1,972,569</b>	<b>157,806</b>

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

**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.

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

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

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

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

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	02.09.2016	90.36	02.09.2016	141.51
The highest value	22.07.2016	114.24	15.07.2016	176.70

**Liquidity Coverage Ratio**

Current Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			28,978,310	19,129,124
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	53,783,847	16,792,835	4,461,181	1,679,284
3	Stable deposits	18,344,077	-	917,204	-
4	Less stable deposits	35,439,770	16,792,835	3,543,977	1,679,284
5	Unsecured wholesale funding, of which:	56,766,552	15,168,088	23,132,301	7,594,280
6	Operational deposits	39,044,219	7,822,479	9,761,055	1,955,620
7	Non-operational deposits	10,404,034	5,300,215	6,986,444	3,626,036
8	Unsecured debt	7,318,299	2,045,394	6,384,802	2,012,624
9	Secured wholesale funding			-	-
10	Additional requirements of which:	11,805,893	10,504,355	11,805,893	10,504,355
11	Outflows related to derivative exposures and other collateral requirements	11,805,893	10,504,355	11,805,893	10,504,355
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	14,500,381	13,993,339	725,019	699,667
15	Other contingent funding obligations	43,625,202	12,232,897	6,902,370	1,551,435
16	<b>TOTAL CASH OUTFLOWS</b>			<b>47,026,764</b>	<b>22,029,021</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	11,486,657	5,207,508	8,199,854	4,657,486
19	Other cash inflows	10,037,954	5,275,098	10,037,954	5,275,098
20	<b>TOTAL CASH INFLOWS</b>	<b>21,524,611</b>	<b>10,482,606</b>	<b>18,237,808</b>	<b>9,932,584</b>
				Upper Limit Applied Values	
21	<b>TOTAL HQLA</b>			<b>28,978,310</b>	<b>19,129,124</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>28,788,956</b>	<b>12,096,437</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>101.00</b>	<b>159.44</b>

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

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

Prior Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			28,685,961	19,080,631
<b>CASH OUTFLOWS</b>					
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	<b>TOTAL CASH OUTFLOWS</b>			<b>46,964,363</b>	<b>23,154,244</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>23,076,390</b>	<b>14,480,074</b>	<b>19,780,569</b>	<b>13,736,151</b>
				Upper Limit Applied Values	
21	<b>TOTAL HQLA</b>			<b>28,685,961</b>	<b>19,080,631</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>27,183,794</b>	<b>9,418,093</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>105.53</b>	<b>202.60</b>

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



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

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

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

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

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

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

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

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed<sup>(*)</sup></b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBRT	21,636,174	-	-	-	-	-	-	21,636,174
Banks	3,070,717	1,207,224	251,983	-	-	-	-	4,529,924
Financial assets at fair value through profit/loss	-	50,352	29,579	376,232	257,312	148,815	-	862,290
Interbank money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	44,976	172,097	2,786,643	8,106,660	6,105,060	23,322	17,238,758
Loans and receivables	-	12,536,548	5,907,688	28,154,574	58,218,454	32,118,743	1,033,740	137,969,747
Held-to-maturity investments	-	44,941	59,901	587,241	3,724,652	3,670,739	-	8,087,474
Other assets	4,943	1,145,821	625	14,418	66,018	-	6,055,627	7,287,452
<b>Total assets</b>	<b>24,711,834</b>	<b>15,029,862</b>	<b>6,421,873</b>	<b>31,919,108</b>	<b>70,373,096</b>	<b>42,043,357</b>	<b>7,112,689</b>	<b>197,611,819</b>
<b>Liabilities:</b>								
Bank deposits	277,100	4,634,782	1,017,557	210,535	-	-	-	6,139,974
Other deposits	22,255,013	62,671,228	23,119,144	5,709,190	91,798	-	-	113,846,373
Funds borrowed	-	371,514	1,174,135	5,775,575	5,769,637	4,768,725	-	17,859,586
Interbank money market takings	-	13,423,940	-	-	447,082	64,177	-	13,935,199
Securities issued	-	425,513	1,859,600	3,003,198	6,723,069	-	-	12,011,380
Miscellaneous payables	-	3,677,843	76,560	-	-	-	663,122	4,417,525
Other liabilities	-	917,385	252,278	22,137	228,405	4,432,755	23,548,822	29,401,782
<b>Total liabilities</b>	<b>22,532,113</b>	<b>86,122,205</b>	<b>27,499,274</b>	<b>14,720,635</b>	<b>13,259,991</b>	<b>9,265,657</b>	<b>24,211,944</b>	<b>197,611,819</b>
<b>Liquidity gap</b>	<b>2,179,721</b>	<b>(71,092,343)</b>	<b>(21,077,401)</b>	<b>17,198,473</b>	<b>57,113,105</b>	<b>32,777,700</b>	<b>(17,099,255)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	32,380	44,298	397,463	84,247	385,073	-	943,461
Payables from Derivative Financial Instruments	-	8,774,183	5,384,689	3,174,754	10,061,177	4,684,757	-	32,079,560
Non-cash Loans	2,856,891	832,698	21,060,115	6,135,814	3,774,157	796,212	-	35,455,887
<b>Prior Period</b>								
<b>Total assets</b>	<b>25,422,750</b>	<b>15,036,713</b>	<b>4,496,759</b>	<b>26,883,402</b>	<b>63,886,607</b>	<b>40,286,125</b>	<b>6,934,768</b>	<b>182,947,124</b>
<b>Total liabilities</b>	<b>20,277,960</b>	<b>79,732,057</b>	<b>23,375,688</b>	<b>17,727,452</b>	<b>9,736,178</b>	<b>9,556,749</b>	<b>22,541,040</b>	<b>182,947,124</b>
<b>Liquidity gap</b>	<b>5,144,790</b>	<b>(64,695,344)</b>	<b>(18,878,929)</b>	<b>9,155,950</b>	<b>54,150,429</b>	<b>30,729,376</b>	<b>(15,606,272)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
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.

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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	6,139,974	6,158,580	277,100	4,640,436	1,025,617	215,427	-	-
Other deposits	113,846,373	114,366,810	22,255,013	62,840,809	23,351,309	5,825,390	94,289	-
Funds borrowed	17,859,586	19,585,203	-	372,101	1,178,989	5,893,505	6,321,337	5,819,271
Money market takings	13,935,199	14,077,250	-	13,432,470	-	-	553,909	90,871
Issued Securities (Net)	12,011,380	12,559,972	-	427,964	1,885,591	3,098,005	7,148,412	-
Miscellaneous payables	4,417,525	4,417,525	663,122	3,677,843	76,560	-	-	-
Other liabilities	6,673,050	8,457,001	1,274,989	646,022	68,742	22,137	228,405	6,216,706
<b>Total</b>	<b>174,883,087</b>	<b>179,622,341</b>	<b>24,470,224</b>	<b>86,037,645</b>	<b>27,586,808</b>	<b>15,054,464</b>	<b>14,346,352</b>	<b>12,126,848</b>
<b>Non-Cash Loans</b>	<b>35,455,887</b>	<b>35,455,887</b>	<b>2,856,891</b>	<b>832,698</b>	<b>21,060,115</b>	<b>6,135,814</b>	<b>3,774,157</b>	<b>796,212</b>

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
<b>Total</b>	<b>162,460,943</b>	<b>167,150,992</b>	<b>22,823,254</b>	<b>79,669,111</b>	<b>23,365,150</b>	<b>18,013,065</b>	<b>10,816,565</b>	<b>12,463,847</b>
<b>Non-Cash Loans</b>	<b>33,068,361</b>	<b>33,068,361</b>	<b>2,663,320</b>	<b>951,139</b>	<b>19,396,626</b>	<b>5,498,569</b>	<b>4,034,068</b>	<b>524,639</b>

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

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**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 7.50%. 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**

	<b>On-balance sheet exposures</b>	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period<sup>(*)</sup></b>
1	On-balance sheet items (excluding derivatives and SFTs; including collateral)	195,178,728	182,236,355
2	Assets deducted in determining Basel III Tier 1 capital	(289,409)	(568,612)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	194,889,319	181,667,743
<b>Derivative exposures</b>			
4	Replacement cost	947,723	956,386
5	Add-on amount	572,871	365,598
6	Total derivative exposures	1,520,594	1,321,984
<b>Securities financing transaction exposures</b>			
7	Gross SFT assets (with no recognition of accounting netting)	686,007	779,859
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	686,007	779,859
<b>Other off-balance sheet exposures</b>			
10	Off-balance sheet exposures with gross nominal amount	42,415,480	53,969,900
11	Adjustment amount off-balance sheet exposures with credit conversion factor	2,638,403	1,025,968
12	Total off-balance sheet exposures	45,053,883	54,995,868
<b>Capital and total exposures</b>			
13	Tier 1 capital	18,173,716	16,253,544
14	Total exposures	242,149,803	238,765,454
<b>Leverage ratio</b>			
15	Leverage ratio	7.50	6.81

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

**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.

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

**VII. SEGMENT REPORTING (Continued)**

Major financial statement items according to business lines:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	3,632,694	5,899,761	2,575,679	3,089	12,111,223
Interest income from loans	3,632,694	5,899,761	790,806	-	10,323,261
Interest income from reserve deposits	-	-	81,523	-	81,523
Interest income from securities portfolio	-	-	1,685,678	-	1,685,678
Interest income from banks	-	-	17,672	-	17,672
Interest income from money market transactions	-	-	-	-	-
Finance Lease Income	-	-	-	-	-
Other interest income	-	-	-	3,089	3,089
Interest Expense	2,484,661	2,741,085	1,832,123	35,371	7,093,240
Interest expense on deposits	2,484,661	2,732,252	174,618	-	5,391,531
Interest expense on funds borrowed	-	8,833	240,529	-	249,362
Interest expense on money market transactions	-	-	744,811	-	744,811
Interest expense on securities issued	-	-	478,745	-	478,745
Other interest expenses	-	-	193,420	35,371	228,791
Net Interest Income	1,148,033	3,158,676	743,556	(32,282)	5,017,983
Net Fees and Commissions Income	311,596	341,517	49,602	-	702,715
Trading Income/ Losses (Net)	-	-	218,525	-	218,525
Dividend Income	-	-	91,722	-	91,722
Other Income (*)	-	-	-	802,232	802,232
Provision For Losses on Loans and Other Receivables	311,961	1,006,896	27,199	190,980	1,537,036
Other Expenses (**)	-	-	-	2,872,845	2,872,845
<b>Profit Before Taxes</b>	<b>1,147,668</b>	<b>2,493,297</b>	<b>1,076,206</b>	<b>(2,293,875)</b>	<b>2,423,296</b>
Provision for taxes	-	-	-	(502,321)	(502,321)
<b>Net Profit/ Loss</b>	<b>1,147,668</b>	<b>2,493,297</b>	<b>1,076,206</b>	<b>(2,796,196)</b>	<b>1,920,975</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	25,326,232	-	25,326,232
Derivative Financial Assets Held for Trading Purpose	-	-	862,290	-	862,290
Banks and Receivables From Money Markets	-	-	4,529,924	-	4,529,924
Investments in Associates and Subsidiaries	-	-	1,949,247	-	1,949,247
Loans and Receivables	40,184,621	77,843,464	19,941,662	-	137,969,747
Other Assets	-	-	20,357,499	6,616,880	26,974,379
<b>TOTAL ASSETS</b>	<b>40,184,621</b>	<b>77,843,464</b>	<b>72,966,854</b>	<b>6,616,880</b>	<b>197,611,819</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	51,351,828	62,494,545	6,139,974	-	119,986,347
Derivative Financial Liabilities Held for Trading Purpose	-	-	440,026	-	440,026
Interbank Money Market Takings	-	-	13,935,199	-	13,935,199
Funds Borrowed	-	595,329	17,264,257	-	17,859,586
Securities Issued	-	-	12,011,380	-	12,011,380
Other Liabilities	-	-	4,687,293	6,299,005	10,986,298
Provisions and Tax Liabilities	-	-	-	3,610,141	3,610,141
Equity	-	-	-	18,782,842	18,782,842
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>51,351,828</b>	<b>63,089,874</b>	<b>54,478,129</b>	<b>28,691,988</b>	<b>197,611,819</b>

(\*) TL 560,688 amount of TL 802,232 shown in other income line consists of rejecting reserves from previous periods, TL 142,392 of income from sale of Bank's assets, TL 31,144 from communications income and remaining, TL 733 from leasing income, TL 67,275 of other income.

(\*\*) TL 1,119,321 amount of TL 2,872,845 shown in other expenses line consists of personnel expenses, TL 1,120,242 of other operating expenses, TL 129,038 of depreciation expenses, TL 112,687 of dividend reserves expenses to be given to personnel, TL 101,826 of Savings Deposit Insurance Fund (SDIF) expenses, TL 97,600 of taxes and funds expenses, and the remaining TL 192,131 of other expenses.

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

**VII. SEGMENT REPORTING (Continued)**

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	3,099,499	4,721,268	2,053,174	1,264	9,875,205
<i>Interest income from loans</i>	3,099,499	4,721,268	587,661	-	8,408,428
<i>Interest Income from reserve deposits</i>	-	-	20,223	-	20,223
<i>Interest income from securities portfolio</i>	-	-	1,438,210	-	1,438,210
<i>Interest income from banks</i>	-	-	7,080	-	7,080
<i>Interest income from money market transactions</i>	-	-	-	-	-
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	1,264	1,264
Interest Expense	1,800,675	2,478,846	1,630,560	25,537	5,935,618
<i>Interest expense on deposits</i>	1,800,675	2,470,699	140,081	-	4,411,455
<i>Interest expense on funds borrowed</i>	-	8,147	187,339	-	195,486
<i>Interest expense on money market transactions</i>	-	-	683,543	-	683,543
<i>Interest expense on securities issued</i>	-	-	439,899	-	439,899
<i>Other interest expenses</i>	-	-	179,698	25,537	205,235
Net Interest Income	1,298,824	2,242,422	422,614	(24,273)	3,939,587
Net Fees and Commissions Income	286,406	310,837	76,332	-	673,575
Trading Income/ Losses (Net)	-	-	95,568	-	95,568
Dividend Income	-	-	62,130	-	62,130
Other Income (*)	-	-	-	753,507	753,507
Provision For Losses on Loans and Other Receivables	344,350	482,579	22,586	341,878	1,191,393
Other Expenses (**)	-	-	-	2,679,324	2,679,324
<b>Profit Before Taxes</b>	<b>1,240,880</b>	<b>2,070,680</b>	<b>634,058</b>	<b>(2,291,968)</b>	<b>1,653,650</b>
Provision for taxes	-	-	-	(380,171)	(380,171)
<b>Net Profit/ Loss</b>	<b>1,240,880</b>	<b>2,070,680</b>	<b>634,058</b>	<b>(2,672,139)</b>	<b>1,273,479</b>
<b>SEGMENT ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>36,849,266</b>	<b>69,990,429</b>	<b>69,766,946</b>	<b>6,340,483</b>	<b>182,947,124</b>
<b>SEGMENT LIABILITIES</b>					
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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>45,072,299</b>	<b>59,618,887</b>	<b>52,128,228</b>	<b>26,127,710</b>	<b>182,947,124</b>

(\*) TL 575,511 amount of TL 753,507 shown in other income line consists of rejecting reserves from previous periods, TL 73,875 of income from sale of Bank’s assets, TL 37,637 from communications income, TL 1,007 from leasing income and remaining TL 65,477 of other income.

(\*\*) TL 1,035,322 amount of TL 2,679,324 shown in other expenses line consists of personnel expenses, TL 972,297 of other operating expenses, TL 118,463 of depreciation expenses, TL 103,279 of dividend reserves expenses to be given to personnel, TL 85,463 of Savings Deposit Insurance Fund (SDIF) expenses, TL 85,677 of taxes and funds expenses, and the remaining TL 278,823 of other expenses.

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**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 Requirements
	Current Period	Prior Period	Current Period
<b>1 Credit Risk (excluding counterparty credit risk) (*)</b>	<b>141,396,904</b>	<b>134,199,244</b>	<b>11,311,752</b>
2 Standardised approach	141,396,904	134,199,244	11,311,752
3 Internal rating based approach	-	-	-
<b>4 Counterparty Credit Risk</b>	<b>2,522,407</b>	<b>1,087,039</b>	<b>201,793</b>
5 Standardised approach for counterparty credit risk	2,522,407	1,087,039	201,793
6 Internal model method	-	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	<b>-</b>	<b>-</b>	<b>-</b>
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
<b>16 Market risk</b>	<b>536,690</b>	<b>1,041,963</b>	<b>42,935</b>
17 Standardised approach	536,690	1,041,963	42,935
18 Internal model approaches	-	-	-
<b>19 Operational Risk</b>	<b>12,290,249</b>	<b>10,989,807</b>	<b>983,220</b>
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	-	-	-
<b>23 (subject to a 250% risk weight)</b>	<b>161,660</b>	<b>15,421</b>	<b>12,933</b>
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>156,907,910</b>	<b>147,333,473</b>	<b>12,552,633</b>

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

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**SECTION FIVE**

**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. INFORMATION AND DISCLOSURES RELATED TO ASSETS**

**1. Cash and balances with Central Bank**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,378,407	392,937	1,157,743	277,106
Central Bank of the Republic of Turkey <sup>(*)</sup>	1,343,770	18,269,067	778,712	19,055,634
Other	238,810	13,183	197,525	18,069
<b>Total</b>	<b>2,960,987</b>	<b>18,675,187</b>	<b>2,133,980</b>	<b>19,350,809</b>

<sup>(\*)</sup> TL 17,413,595 (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 4% to 10.5% (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	1,317,188	855,472	760,146	632,944
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	105	-
Reserve Deposits	26,582	17,413,595	18,461	18,422,690
<b>Total</b>	<b>1,343,770</b>	<b>18,269,067</b>	<b>778,712</b>	<b>19,055,634</b>

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

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

None.

***Trading securities subject to repurchase agreements***

None.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	6,080	-	2,087	624
Swap Transactions	676,503	178,906	737,149	145,264
Futures	-	-	-	-
Options	167	634	103	240
Other	-	-	-	-
<b>Total</b>	<b>682,750</b>	<b>179,540</b>	<b>739,339</b>	<b>146,128</b>

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	5	4,529,919	370,201	4,864,065
Domestic	5	1,267,129	370,201	269,123
Foreign	-	3,262,790	-	4,594,942
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>5</b>	<b>4,529,919</b>	<b>370,201</b>	<b>4,864,065</b>

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	1,889,410	1,717,483	1,571,646	1,516,438
Other	-	-	-	-
<b>Total</b>	<b>1,889,410</b>	<b>1,717,483</b>	<b>1,571,646</b>	<b>1,516,438</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	3,839,989	-	3,621,980	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	2,080,538	-	2,647,350
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
<b>Total</b>	<b>3,839,989</b>	<b>2,080,538</b>	<b>3,621,980</b>	<b>2,647,350</b>



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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Information on available-for-sale financial assets*

	Current Period	Prior Period
<b>Debt securities</b>	<b>17,257,311</b>	<b>16,870,435</b>
Quoted on a Stock Exchange	17,257,311	16,870,435
Unquoted	-	-
<b>Equity securities</b>	<b>23,322</b>	<b>79,253</b>
Quoted on a Stock Exchange	-	-
Unquoted	23,322	79,253
<b>Provision for impairment on available-for-sale financial assets (-)</b>	<b>41,875</b>	<b>175,719</b>
<b>Total</b>	<b>17,238,758</b>	<b>16,773,969</b>

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
<b>Direct loans provided to the shareholders</b>	-	<b>31,298</b>	-	<b>28,550</b>
Legal entities	-	31,298	-	28,550
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>114,304</b>	-	<b>102,886</b>	-
<b>Total</b>	<b>114,304</b>	<b>31,298</b>	<b>102,886</b>	<b>28,550</b>

*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	Other	Loans and other receivables	Agreement conditions modified	Other
<b>Non-specialized loans</b>	<b>128,410,341</b>	<b>870,790</b>	-	<b>6,211,003</b>	<b>1,442,839</b>	-
Loans given to enterprises	37,035,857	383,147	-	1,979,523	1,153,526	-
Export loans	5,260,829	-	-	284,264	4,094	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,051,662	-	-	4,636	-	-
Consumer loans	33,443,335	146,157	-	1,632,898	234,780	-
Credit cards	5,386,064	-	-	421,068	12,218	-
Other	45,232,594	341,486	-	1,888,614	38,221	-
<b>Specialized lending</b>	<b>1,034</b>	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>128,411,375</b>	<b>870,790</b>	-	<b>6,211,003</b>	<b>1,442,839</b>	-

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

<b>Number of modifications to extend payment plans</b>	<b>Standard Loans and Other Receivables (*)</b>	<b>Loans and other receivables under close monitoring (*)</b>
Extended for 1 or 2 times	870,790	1,121,285
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

  

<b>Extended period of time</b>	<b>Standard Loans and Other Receivables (*)</b>	<b>Loans and other receivables under close monitoring (*)</b>
0-6 Months	59	359
6 - 12 Months	7,079	13,657
1-2 Years	31,417	76,832
2-5 Years	520,314	281,385
5 Years and Over	311,921	749,052

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans – TL</b>	<b>399,599</b>	<b>32,743,135</b>	<b>33,142,734</b>
Housing Loans	9,432	16,755,135	16,764,567
Automobile Loans	4,292	430,337	434,629
General Purpose Loans	385,875	15,557,663	15,943,538
Other	-	-	-
<b>Consumer Loans – FC indexed</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans – FC</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards – TL</b>	<b>4,210,984</b>	<b>83,798</b>	<b>4,294,782</b>
With Installment	1,849,495	75,574	1,925,069
Without Installment	2,361,489	8,224	2,369,713
<b>Retail Credit Cards – FC</b>	<b>12,931</b>	-	<b>12,931</b>
With Installment	-	-	-
Without Installment	12,931	-	12,931
<b>Personnel Loans – TL</b>	<b>3,529</b>	<b>48,788</b>	<b>52,317</b>
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	3,529	48,788	52,317
Other	-	-	-
<b>Personnel Loans – FC indexed</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>61,265</b>	<b>266</b>	<b>61,531</b>
With Installment	25,563	240	25,803
Without Installment	35,702	26	35,728
<b>Personnel Credit Cards – FC</b>	<b>456</b>	-	<b>456</b>
With Installment	-	-	-
Without Installment	456	-	456
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>2,262,002</b>	-	<b>2,262,002</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>117</b>	-	<b>117</b>
<b>Total</b>	<b>6,950,883</b>	<b>32,875,987</b>	<b>39,826,870</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS  
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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Installment based commercial loans and corporate credit cards*

	Short-Term	Medium and Long-Term	Total
<b>Installment-based Commercial Loans–TL</b>	<b>963,847</b>	<b>24,062,165</b>	<b>25,026,012</b>
Real Estate Loans	1,405	929,687	931,092
Automobile Loans	69,507	1,539,956	1,609,463
General Purpose Loans	892,935	21,592,522	22,485,457
Other	-	-	-
<b>Installment-based Commercial Loans–FC indexed</b>	<b>33,159</b>	<b>1,288,645</b>	<b>1,321,804</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	33,159	1,288,645	1,321,804
Other	-	-	-
<b>Installment-based Commercial Loans–FC</b>	<b>7,042</b>	<b>5,600,664</b>	<b>5,607,706</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	7,042	5,600,664	5,607,706
Other	-	-	-
<b>Corporate Credit Cards–TL</b>	<b>1,448,528</b>	<b>338</b>	<b>1,448,866</b>
With Installment	433,342	338	433,680
Without Installment	1,015,186	-	1,015,186
<b>Corporate Credit Cards–FC</b>	<b>784</b>	<b>-</b>	<b>784</b>
With Installment	-	-	-
Without Installment	784	-	784
<b>Overdraft Checking Accounts–TL (Corporate)</b>	<b>1,053,279</b>	<b>-</b>	<b>1,053,279</b>
<b>Overdraft Checking Accounts–FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,506,639</b>	<b>30,951,812</b>	<b>34,458,451</b>

*Allocation of domestic and overseas loans*

	Current Period	Prior Period
Domestic Loans	136,573,798	122,622,462
Foreign Loans	362,209	352,016
<b>Total</b>	<b>136,936,007</b>	<b>122,974,478</b>

*Loans to associates and subsidiaries*

	Current Period	Prior Period
Direct Loans Provided to the Subsidiaries and Associates	206,443	145,876
Indirect Loans Provided to the Subsidiaries and Associates	-	-
<b>Total</b>	<b>206,443</b>	<b>145,876</b>

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Specific provisions for loans*

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	122,596	96,407
Loans and Receivables with Doubtful Collectability	517,942	386,298
Uncollectible Loans and Receivables	4,117,165	3,561,333
<b>Total</b>	<b>4,757,703</b>	<b>4,044,038</b>

*Information on non-performing loans (Net)*

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b>	<b>80,713</b>	<b>143,184</b>	<b>62,018</b>
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,713	143,184	62,018
<b>Prior period</b>	<b>51,611</b>	<b>88,881</b>	<b>59,591</b>
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	51,611	88,881	59,591

*Movements in non-performing loan groups*

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Balance at the beginning of the period</b>	<b>482,035</b>	<b>772,154</b>	<b>3,596,024</b>
Additions (+)	1,855,497	9,598	29,867
Transfers from other categories of loans under follow-up (+)	-	1,531,642	1,082,147
Transfers to other categories of loans under follow-up (-) (*)	1,536,809	1,094,512	135,446
Collections (-)	187,743	183,258	429,753
Write-offs (-)	-	-	-
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Balance at the end of the period</b>	<b>612,980</b>	<b>1,035,624</b>	<b>4,142,839</b>
Specific provision (-) (**)	122,596	517,942	4,117,165
<b>Net balance</b>	<b>490,384</b>	<b>517,682</b>	<b>25,674</b>

(\*) 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 September 2016, the Bank reserved 100% provision for TL 8,558 after the date it was placed in the 5<sup>th</sup> group, which is the remaining portion of non-performing loans of TL 34,232 given to a group when guarantees are taken into consideration.

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

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

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Balance at the end of the period	1,069	12,088	226,368
Specific provision (-)	214	6,044	226,368
<b>Net balance on balance sheet</b>	<b>855</b>	<b>6,044</b>	<b>-</b>
<b>Prior Period</b>			
Balance at the end of the period	15,261	88,082	198,835
Specific provision (-)	3,052	44,041	198,835
<b>Net balance on balance sheet</b>	<b>12,209</b>	<b>44,041</b>	<b>-</b>

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>			
Consumer and Commercial Loans (Gross)	609,191	1,022,734	4,056,214
Specific Provision (-)	121,838	511,497	4,030,540
<b>Consumer and Commercial Loans (Net)</b>	<b>487,353</b>	<b>511,237</b>	<b>25,674</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	3,789	12,890	85,074
Specific Provision (-)	758	6,445	85,074
<b>Other Loans and Receivables (Net)</b>	<b>3,031</b>	<b>6,445</b>	<b>-</b>
<b>Prior Period (Net)</b>			
Consumer and Commercial Loans (Gross)	475,614	762,956	3,523,032
Specific Provision (-)	95,123	381,699	3,488,341
<b>Consumer and Commercial Loans (Net)</b>	<b>380,491</b>	<b>381,257</b>	<b>34,691</b>
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
<b>Other Loans and Receivables (Net)</b>	<b>5,137</b>	<b>4,599</b>	<b>-</b>

**6. Information on held-to-maturity investments**

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Government Bonds	7,982,632	-	7,546,748	-
Treasury Bills	-	-	-	-
Other Securities Issued by the	-	-	-	-
<b>Total</b>	<b>7,982,632</b>	<b>-</b>	<b>7,546,748</b>	<b>-</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

*Information on held-to-maturity investment securities*

	Current Period	Prior Period
<b>Debt Securities</b>	<b>8,090,735</b>	<b>7,683,950</b>
Quoted at Stock Exchanges	7,985,893	7,552,969
Unquoted at Stock Exchanges	104,842	130,981
<b>Impairment Losses (-)</b>	<b>3,261</b>	<b>6,221</b>
<b>Total</b>	<b>8,087,474</b>	<b>7,677,729</b>

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

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>7,677,729</b>	<b>6,854,593</b>
Foreign currency differences on monetary assets	3,971	44,702
Purchases during the period	1,734,464	1,610,704
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,554,938)	(1,129,187)
Change in Impairment losses	2,960	(366)
Change in amortized costs of the securities (*)	223,288	297,283
<b>Balances at the end of the period</b>	<b>8,087,474</b>	<b>7,677,729</b>

(\*) 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	386,987	104,825	394,513	104,842
Investments subject to repurchase agreements	6,137,215	-	7,019,080	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	545,819	-	569,039	-
<b>Total</b>	<b>7,070,021</b>	<b>104,825</b>	<b>7,982,632</b>	<b>104,842</b>

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	-
<b>Total</b>	<b>6,860,399</b>	<b>130,950</b>	<b>7,546,748</b>	<b>130,981</b>

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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	857,279	85,887	6,521	51,689	2,679	3,640	5,285	-
2	23,797,986	3,101,578	767,779	760,881	268,193	354,694	268,995	2,727,730
3	3,114,409	892,304	553,149	6,974	-	101,449	30,719	-
4	75,434	44,177	48,086	672	-	14,517	9,605	-
5	171,986	123,290	118,180	1,917	-	10,180	17,045	-
6	136,588	(34,037)	88,039	290	-	(1,874)	(9,042)	-
7	104,676	(7,805)	87,208	0	-	(8,176)	(30,171)	-
8	7,429,453	951,843	102,447	151,369	4,789	119,604	87,910	-
9	324,489	298,991	7,563	12,390	-	17,738	19,899	-
10	1,557	(87,047)	-	-	-	(6,335)	(5,425)	-

(\*) The financial statements for these associates as at and for the period ended 30 June 2016 are presented.

*Movement table of investments in associates*

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>270,290</b>	<b>305,469</b>
<b>Movements during the period</b>	<b>14,934</b>	<b>(35,179)</b>
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	(14,698)	(56,632)
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>285,224</b>	<b>270,290</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

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 May 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.



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

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

In the current period, subsequent to the approval of the decision to increase the paid-in capital of 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".

*Sectoral distribution of investments in financial associates*

	<b>Current Period</b>	<b>Prior Period</b>
Banks	269,105	254,171
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other associates	4,719	4,719
<b>Total</b>	<b>273,824</b>	<b>258,890</b>

*Quoted associates*

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	228,584	218,150
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>228,584</b>	<b>218,150</b>

*Investments in associates disposed during the period*

There is not any associate disposed in the current period.

*Investments in associates acquired during the period*

There is not any associate acquired in the current period.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries

*Information on financial subsidiaries*

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	87,000	35,000	22,400	150,000	26,500	12,000	213,000	20,000
Share Premium	-	-	-	-	-	-	-	246,731	-
Other Capital Reserves	-	333	(260)	28,905	(1,667)	6,743	46	21,613	59
Securities Value Increase Fund	32,822	3,470	48,880	347	270,281	483	-	-	-
Tangible Assets' Value Increase From Revaluation	-	15,105	-	-	193,339	50,005	-	547	-
Associates And Subsidiaries Bonus Shares	-	-	-	-	59	191	-	-	-
Legal Reserves	9,279	5,110	5,644	5,824	17,179	18,385	965	6,390	395
Extraordinary Reserves	-	33,398	7,368	48,296	19,246	68,476	1,577	97,360	-
Other Profit Reserves	195,425	-	2,308	-	-	-	-	-	-
Profit/Loss	125,092	15,893	1,165	12,943	(402,477)	96,375	4,937	11,749	(2,967)
<i>Prior Period's Profit/Loss</i>	106,801	-	(4,587)	-	(384,215)	82,533	-	1,015	(2,771)
<i>Current Period's Profit/Loss</i>	18,291	15,893	5,752	12,943	(18,262)	13,842	4,937	10,734	(196)
Minority Rights	-	73	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>477,101</b>	<b>160,382</b>	<b>100,105</b>	<b>118,715</b>	<b>245,960</b>	<b>267,158</b>	<b>19,525</b>	<b>597,390</b>	<b>17,487</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>477,101</b>	<b>160,382</b>	<b>100,105</b>	<b>118,715</b>	<b>245,960</b>	<b>267,158</b>	<b>19,525</b>	<b>597,390</b>	<b>17,487</b>
<b>NET AVAILABLE EQUITY</b>	<b>477,101</b>	<b>160,382</b>	<b>100,105</b>	<b>118,715</b>	<b>245,960</b>	<b>267,158</b>	<b>19,525</b>	<b>597,390</b>	<b>17,487</b>

Reviewed BRSA financial statements as of 30 September 2016 are considered.

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

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

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary of the Bank, calculates capital adequacy in accordance with Serial:V, No: 34 numbered “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of CMB every six month. Güneş Sigorta AŞ 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 September 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	1,312,255	83,354	336,937	33,127	721	(54,840)	(98,328)	188,696
2	5,130,134	237,764	111,658	24,811	104	38,512	25,890	800,926
3	919,199	118,651	2,784	77,923	-	12,943	10,116	95,035
4	1,583,885	160,383	19,597	82,349	-	15,894	15,458	102,142
5	350,888	107,807	1,574	10,757	133	5,752	(6,584)	106,298
6	3,218,310	441,973	1,020	56,670	13,326	17,711	28,967	437,507
7	20,492	19,525	162	1,511	56	4,937	2,236	72,525
8	18,603	17,486	39	218	947	(196)	(527)	22,663
9	975,646	833,321	517,816	22,411	-	10,768	22,402	474,595
10	25,406	5,916	1,042	388	-	280	(1,745)	14,466
11	366,961	354,338	234,212	6,517	-	504	9,112	400,560
12	51,313	42,516	723	3,351	57	3,587	3,861	58,797
13	31,687	26,423	304	2,401	-	1,269	829	26,471

(\*) The financial statements for these subsidiaries as at and for the period ended 30 June 2016 are presented.

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

**Movement table of investments in subsidiaries**

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1,604,319</b>	<b>1,431,513</b>
<b>Movements during the period</b>	<b>59,704</b>	<b>172,806</b>
Transfers	-	-
Acquisitions and capital increases	-	-
Bonus shares received	24,858	4,605
Dividends from current year profit	(1,694)	(26,186)
Sales and liquidations	-	-
Fair value changes	36,148	163,959
Impairment losses	392	30,428
<b>Balance at the end of the period</b>	<b>1,664,023</b>	<b>1,604,319</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the period</b>	<b>-</b>	<b>-</b>

*Methods to measure investments in subsidiaries*

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,664,023	1,604,319
Equity method of accounting	-	-
<b>Total</b>	<b>1,664,023</b>	<b>1,604,319</b>

*Sectoral distribution of investments in financial subsidiaries*

	Current Period	Prior Period
Insurance companies	500,290	480,532
Banks	393,756	434,144
Factoring companies	74,498	62,163
Leasing companies	59,967	45,681
Finance companies	-	-
Other financial subsidiaries	366,616	327,650
<b>Total</b>	<b>1,395,127</b>	<b>1,350,170</b>

*Quoted subsidiaries*

	Current Period	Prior Period
Quoted at domestic stock exchanges	317,414	330,703
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>317,414</b>	<b>330,703</b>

*Investments in subsidiaries disposed during the period*

There is no disposal in subsidiaries in the current period.

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

***Investments in subsidiaries acquired during the period***

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

In the 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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

*Positive differences on derivative financial instruments held for risk management purposes*

None.

12. Information on investment properties

None.

13. Information on deferred tax assets

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

	Current period	Prior Period
<b>Deferred tax assets:</b>	<b>185,328</b>	<b>232,350</b>
Provision for employee termination benefits and unused vacations	99,442	87,096
Other provisions	47,454	45,287
Valuation differences of associates and subsidiaries	23,456	23,456
Valuation differences of financial assets and liabilities	5,314	67,439
BRSA - Tax Code depreciation differences	7,801	7,252
Other	1,861	1,820
<b>Deferred tax liabilities:</b>	<b>(120,664)</b>	<b>(216,929)</b>
Valuation differences of financial assets and liabilities	(45,934)	(127,392)
Valuation differences of associates and subsidiaries	(45,880)	(60,671)
Valuation differences of properties	(28,850)	(28,866)
<b>Deferred tax assets/(liabilities), net</b>	<b>64,664</b>	<b>15,421</b>

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

	Current period	Prior Period
<b>As of 1 January</b>	<b>15,421</b>	<b>72,437</b>
Deferred tax income/loss	91,262	(135,874)
Deferred tax that is accounted under Equity	(42,019)	78,858
<b>Deferred tax asset/(liability)</b>	<b>64,664</b>	<b>15,421</b>

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

As at 30 September 2016 assets held for sale and assets related to the discontinued operations amount to TL 1,122,835 (31 December 2015: TL 994,964).

15. Information on other assets

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

	Current period	Prior Period
Receivables from credit card payments	1,053,216	923,489
Guarantees given for derivative financial instruments	719,148	501,035
Prepaid expenses	529,551	578,292
Receivables from term sale of assets	25,514	44,567
Guarantees given for repurchase agreements	17,655	143,978
Other	198,310	479,469
<b>Total</b>	<b>2,543,394</b>	<b>2,670,830</b>

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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
<b>Saving Deposits</b>	<b>5,530,649</b>	-	<b>819,622</b>	<b>26,897,926</b>	<b>1,655,503</b>	<b>306,569</b>	<b>157,609</b>	<b>25</b>	<b>35,367,903</b>
<b>Foreign Currency</b>									
<b>Deposits</b>	<b>4,481,111</b>	-	<b>2,071,721</b>	<b>16,659,072</b>	<b>1,282,301</b>	<b>755,726</b>	<b>3,656,702</b>	-	<b>28,906,633</b>
Residents in Turkey	4,165,400	-	2,070,442	16,396,201	1,042,875	506,315	881,055	-	25,062,288
Residents Abroad	315,711	-	1,279	262,871	239,426	249,411	2,775,647	-	3,844,345
<b>Public Sector Deposits</b>	<b>5,160,779</b>	-	<b>4,319,890</b>	<b>7,293,013</b>	<b>662,002</b>	<b>2,180,101</b>	<b>233,086</b>	-	<b>19,848,871</b>
<b>Commercial Deposits</b>	<b>2,484,624</b>	-	<b>5,854,016</b>	<b>9,387,211</b>	<b>1,122,770</b>	<b>273,673</b>	<b>9,819</b>	-	<b>19,132,113</b>
<b>Other</b>	<b>4,031,842</b>	-	<b>1,501,413</b>	<b>3,620,100</b>	<b>796,269</b>	<b>48,756</b>	<b>26,465</b>	-	<b>10,024,845</b>
<b>Precious Metal</b>									
<b>Deposits</b>	<b>566,008</b>	-	-	-	-	-	-	-	<b>566,008</b>
<b>Bank Deposits</b>	<b>277,100</b>	-	<b>3,920,565</b>	<b>1,252,970</b>	<b>333,865</b>	<b>138,668</b>	<b>216,806</b>	-	<b>6,139,974</b>
Central Bank	76	-	-	-	-	-	-	-	76
Domestic Banks	14,919	-	3,595,570	1,037,123	333,865	6,245	4,211	-	4,991,933
Foreign Banks	190,802	-	274,940	215,847	-	132,423	212,595	-	1,026,607
Participation Banks	71,303	-	50,055	-	-	-	-	-	121,358
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,532,113</b>	-	<b>18,487,227</b>	<b>65,110,292</b>	<b>5,852,710</b>	<b>3,703,493</b>	<b>4,300,487</b>	<b>25</b>	<b>119,986,347</b>

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
<b>Saving Deposits</b>	<b>4,424,092</b>	-	<b>471,519</b>	<b>22,041,396</b>	<b>1,027,318</b>	<b>255,301</b>	<b>124,971</b>	-	<b>28,344,597</b>
<b>Foreign Currency</b>									
<b>Deposits</b>	<b>4,121,923</b>	-	<b>3,451,462</b>	<b>15,829,234</b>	<b>1,474,397</b>	<b>912,706</b>	<b>3,462,272</b>	-	<b>29,251,994</b>
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
<b>Public Sector Deposits</b>	<b>4,504,470</b>	-	<b>4,869,059</b>	<b>6,958,081</b>	<b>843,503</b>	<b>1,879,924</b>	<b>205,243</b>	-	<b>19,260,280</b>
<b>Commercial Deposits</b>	<b>2,464,867</b>	-	<b>3,737,839</b>	<b>11,417,347</b>	<b>161,445</b>	<b>50,949</b>	<b>1,336</b>	-	<b>17,833,783</b>
<b>Other</b>	<b>3,751,277</b>	-	<b>1,772,094</b>	<b>3,170,500</b>	<b>242,340</b>	<b>41,669</b>	<b>25,525</b>	-	<b>9,003,405</b>
<b>Precious Metal</b>									
<b>Deposits</b>	<b>625,592</b>	-	-	-	-	-	-	-	<b>625,592</b>
<b>Bank Deposits</b>	<b>385,739</b>	-	<b>3,804,547</b>	<b>918,327</b>	<b>230,210</b>	<b>118,489</b>	<b>145,571</b>	-	<b>5,602,883</b>
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20,277,960</b>	-	<b>18,106,520</b>	<b>60,334,885</b>	<b>3,979,213</b>	<b>3,259,038</b>	<b>3,964,918</b>	-	<b>109,922,534</b>

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	18,613,710	15,480,662	16,754,193	12,863,935
Foreign Currency Saving Deposits	4,693,454	4,788,666	11,290,471	11,939,036
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>23,307,164</b>	<b>20,269,328</b>	<b>28,044,664</b>	<b>24,802,971</b>

*Saving deposits out of insurance coverage limits*

	Current Period	Prior Period
Deposits and other accounts at foreign branches	28,242	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	5,116	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	5,258	-	1,508	594
Swap Transactions	169,327	250,718	109,384	149,252
Futures	-	-	-	-
Options	14,092	631	28,612	239
Other	-	-	-	-
<b>Total</b>	<b>188,677</b>	<b>251,349</b>	<b>139,504</b>	<b>150,085</b>

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	102,684	480,920	101,625	269,158
Foreign Banks, Institutions and Funds	411,367	16,864,615	231,158	17,954,056
<b>Total</b>	<b>514,051</b>	<b>17,345,535</b>	<b>332,783</b>	<b>18,223,214</b>



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**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 (*)	100,274	1,490,349	101,813	2,020,325
Medium and Long term (*)	413,777	15,855,186	230,970	16,202,889
<b>Total</b>	<b>514,051</b>	<b>17,345,535</b>	<b>332,783</b>	<b>18,223,214</b>

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 9.99% (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 26 September 2016, the loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 554 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank.

On 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 September 2016, total securitization loan amounts to US Dollar 816.5 million and 260 million.

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

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

*Information on securities issued*

Within the context of Global Medium Term Notes (GMTN), the Bank has issued Turkey’s first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on 17 June 2014 has a nominal value of 500 million Euros, 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 (US Dollar,Euro,Swiss Frank and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. Bank has issued 4,687 million US Dollar private placements as of the date of 30 September 2016. The total private placements are 176 million US Dollar 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 500 million Euros, 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	3,293,586	-	437,271	8,244,298
Cost	3,184,830	-	437,267	8,180,742
Net Book Value	3,223,089	-	439,383	8,348,908

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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

7. Information on provisions

*Information on general provisions*

	Current Period	Prior period
Provisions for loans and receivables in Group I	1,753,303	1,606,200
-Additional provision for loans with extended payment plans	29,523	26,422
Provisions for loans and receivables in Group II	276,596	231,853
-Additional provision for loans with extended payment plans	32,752	21,057
Provisions for non-cash loans	109,578	106,422
Other	3,321	13,128
<b>Total</b>	<b>2,142,798</b>	<b>1,957,603</b>

*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	4,850	17,160

The Bank has recorded provision amounting to TL 4,850 (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 September 2016, Bank has recorded TL 58,554 (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	189,442	182,585
Specific provisions for non-cash loans	58,554	40,930
Provision for cheques	70,965	47,020
Provisions for lawsuits against the Bank	4,755	4,755
Provisions for credit card promotions	9,303	9,100
Other provisions	-	6,885
<b>Total</b>	<b>333,019</b>	<b>291,275</b>

*Information on provision for probable risks*

None.

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

8. Taxation

*Current taxes*

*Tax provision*

As at and for the nine month ended 30 September 2016, the tax provision was amounted to TL 606,038 (31 December 2015: TL 403,602). As at 30 September 2016, corporate tax liabilities of the Bank was amounted to TL 422,502 (31 December 2015: TL 171,734), after deducting prepaid taxes paid during temporary tax periods amounted to TL 183,536 (31 December 2015: TL 231,868).

*Information on taxes payable*

	Current Year	Prior Year
Corporate taxes payable	183,536	231,868
Taxation on securities	163,908	151,721
Capital gains tax on property	2,537	2,451
Taxes on foreign exchange transactions	-	-
Banking and Insurance Transaction Tax (BITT)	78,783	76,418
Value added tax payable	1,937	3,754
Other	22,029	22,168
<b>Total</b>	<b>452,730</b>	<b>488,380</b>

*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	723	685
Unemployment insurance- employer share	1,446	1,370
Other	-	-
<b>Total</b>	<b>2,169</b>	<b>2,055</b>

*Information on deferred tax liabilities*

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

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

None.

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**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 4,302,271 as of 30 September 2016 (31 December 2015: TL 4,169,474).

**11. Information on equity**

*Paid-in capital*

	<b>Current Period</b>	<b>Prior Period</b>
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*

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

At the resolutions of Board of Directors dated 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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

*Information on share capital increases from revaluation funds*

None.

*Capital commitments for current financial year and following period*

None.

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

None.

*Information on the privileges given to stocks representing the capital*

None.

*Valuation differences of the marketable securities*

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	628,663	158,621	571,129	191,529
Fair value differences of available-for-sale securities	(12,235)	169,191	(264,492)	239,608
Foreign exchange differences	80,727	-	92,639	-
<b>Total</b>	<b>697,155</b>	<b>327,812</b>	<b>399,276</b>	<b>431,137</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Disclosures related to other contingent liabilities

*Type and amount of irrevocable commitments*

	Current Period	Prior period
Commitments for credit card limits	8,237,590	7,399,361
Loan granting commitments	9,022,432	8,482,816
Commitments for cheque payments	1,971,457	1,805,569
Asset purchase sale commitments	1,514,222	3,843,373
Other	1,488,471	1,231,793
<b>Total</b>	<b>22,234,172</b>	<b>22,762,912</b>

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

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

The Bank provided specific provision amounting to TL 177,455 (31 December 2015: TL 97,721) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 58,554 (31 December 2015: TL 40,930).

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

	Current Period	Prior Period
Final letters of guarantee	10,477,696	9,289,202
Letters of guarantee for advances	4,280,822	3,438,136
Letters of guarantee given to custom offices	1,047,135	1,030,530
Provisional letters of guarantee	1,016,609	935,981
Other letters of guarantee	12,769,862	12,096,954
<b>Total</b>	<b>29,592,124</b>	<b>26,790,803</b>

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,230,430	2,899,661
<i>With original maturity of 1 year or less</i>	815,272	1,176,515
<i>With original maturity of more than 1 year</i>	1,415,158	1,723,146
Other non-cash loans	33,225,457	30,168,700
<b>Total</b>	<b>35,455,887</b>	<b>33,068,361</b>

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

**3. Sectoral risk concentrations of non-cash loans**

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>79,123</b>	<b>0.32</b>	<b>241,112</b>	<b>2.26</b>	<b>87,249</b>	<b>0.40</b>	<b>132,021</b>	<b>1.20</b>
Farming and Cattle	75,829	0.31	241,112	2.26	82,686	0.37	132,021	1.20
Forestry	2,299	0.01	-	-	3,528	0.02	-	-
Fishing	995	-	-	-	1,035	0.01	-	-
<b>Manufacturing</b>	<b>10,563,396</b>	<b>42.58</b>	<b>5,707,844</b>	<b>53.61</b>	<b>9,811,692</b>	<b>44.43</b>	<b>5,696,876</b>	<b>51.86</b>
Mining	1,024,969	4.13	105,153	0.99	1,252,878	5.67	106,628	0.97
Production	6,560,012	26.44	5,204,315	48.88	5,526,001	25.03	5,309,883	48.34
Electric, gas and water	2,978,415	12.01	398,376	3.74	3,032,813	13.73	280,365	2.55
<b>Construction</b>	<b>4,057,054</b>	<b>16.35</b>	<b>1,977,709</b>	<b>18.57</b>	<b>3,374,531</b>	<b>15.28</b>	<b>2,224,897</b>	<b>20.25</b>
<b>Services</b>	<b>8,809,247</b>	<b>35.50</b>	<b>2,554,328</b>	<b>23.99</b>	<b>8,030,112</b>	<b>36.36</b>	<b>2,516,870</b>	<b>22.92</b>
Wholesale and retail trade	3,782,993	15.25	1,470,876	13.81	3,444,760	15.60	1,584,498	14.42
Hotel, food and beverage								
Services	103,959	0.42	1,665	0.02	110,961	0.50	1,218	0.01
Transportation and telecommunication	1,233,853	4.97	932,049	8.75	1,172,317	5.31	736,976	6.71
Financial institutions	2,430,600	9.80	42,279	0.40	2,090,603	9.47	32,774	0.30
Real estate and renting								
Services	358,470	1.44	35,734	0.34	325,256	1.47	33,663	0.31
Self-employment services	617,751	2.49	65,672	0.62	610,338	2.76	110,414	1.01
Education services	17,621	0.07	1,304	0.01	23,752	0.11	4,018	0.04
Health and social services	264,000	1.06	4,749	0.04	252,125	1.14	13,309	0.12
<b>Other</b>	<b>1,299,588</b>	<b>5.25</b>	<b>166,486</b>	<b>1.57</b>	<b>780,253</b>	<b>3.53</b>	<b>413,860</b>	<b>3.77</b>
<b>Total</b>	<b>24,808,408</b>	<b>100.00</b>	<b>10,647,479</b>	<b>100.00</b>	<b>22,083,837</b>	<b>100.00</b>	<b>10,984,524</b>	<b>100.00</b>

**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	24,304,123	4,790,081	308,583	54,107
Confirmed Bills of Exchange and Acceptances	49,966	821,882	-	-
Letters of Credit	12,639	4,907,982	-	12,411
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	16,658	-	-
<b>Non-Cash Loans</b>	<b>24,366,728</b>	<b>10,536,603</b>	<b>308,583</b>	<b>66,518</b>

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	-	-
<b>Non-Cash Loans</b>	<b>21,817,546</b>	<b>10,947,442</b>	<b>173,386</b>	<b>32,266</b>



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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	3,239,283	122,934	2,443,172	100,410
Medium and Long-Term Loans	5,496,024	1,245,003	4,682,668	1,091,918
Non-performing Loans	220,017	-	90,260	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>8,955,324</b>	<b>1,367,937</b>	<b>7,216,100</b>	<b>1,192,328</b>

*Information on interest income received from banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	39	-	-
Domestic Banks	558	879	1,116	460
Foreign Banks	-	16,196	47	5,457
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>558</b>	<b>17,114</b>	<b>1,163</b>	<b>5,917</b>

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

*Information on interest income received from marketable securities portfolio*

	Current Period		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	951,367	193,086	820,429	178,655
Investments held to maturity	540,275	950	438,762	364
<b>Total</b>	<b>1,491,642</b>	<b>194,036</b>	<b>1,259,191</b>	<b>179,019</b>

*Information on interest income received from associates and subsidiaries*

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	7,307	6,823

2. Interest expense

*Interest expense on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>39,099</b>	<b>179,519</b>	<b>22,923</b>	<b>153,399</b>
Central Bank of Republic of Turkey	-	-	-	-
Domestic Banks	4,814	4,018	5,907	2,224
Foreign Banks	34,285	175,501	17,016	151,175
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>30,744</b>	<b>-</b>	<b>19,164</b>
<b>Total</b>	<b>39,099</b>	<b>210,263</b>	<b>22,923</b>	<b>172,563</b>

*Interest expense paid to associates and subsidiaries*

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	57,691	49,468

*Interest expense on securities issued*

Interest paid to securities issued as at for the nine month ended 30 September 2016 is TL 478,745 (30 September 2015: TL 439,899).

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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	-	31,079	76,901	42,969	3,656	3,210	-	157,815
Saving deposits	-	31,193	2,051,979	130,782	22,097	8,813	-	2,244,864
Public sector deposits	19,303	268,650	512,985	49,226	132,399	15,910	-	998,473
Commercial deposits	2	304,207	764,817	103,811	9,812	231	-	1,182,880
Other deposits	3	65,158	245,171	63,186	2,867	1,370	-	377,755
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,308</b>	<b>700,287</b>	<b>3,651,853</b>	<b>389,974</b>	<b>170,831</b>	<b>29,534</b>	-	<b>4,961,787</b>
<i>FC</i>								
Foreign currency deposits	14,094	20,975	289,718	23,130	12,545	53,557	-	414,019
Interbank deposits	389	114	1,456	959	804	12,003	-	15,725
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14,483</b>	<b>21,089</b>	<b>291,174</b>	<b>24,089</b>	<b>13,349</b>	<b>65,560</b>	-	<b>429,744</b>
<b>Grand Total</b>	<b>33,791</b>	<b>721,376</b>	<b>3,943,027</b>	<b>414,063</b>	<b>184,180</b>	<b>95,094</b>	-	<b>5,391,531</b>

Prior Period	Demand Deposits to 1 Month	Time Deposits					Cumulative deposit	Total
		Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
<i>TL</i>								
Interbank deposits	-	21,335	102,209	-	-	5,447	-	128,991
Saving deposits	-	29,791	1,446,827	85,360	20,156	7,862	-	1,589,996
Public sector deposits	7,650	166,892	461,305	40,501	199,229	11,767	-	887,344
Commercial deposits	27	317,413	779,186	38,971	12,769	313	-	1,148,679
Other deposits	-	47,206	212,213	21,140	6,116	1,197	-	287,872
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7,677</b>	<b>582,637</b>	<b>3,001,740</b>	<b>185,972</b>	<b>238,270</b>	<b>26,586</b>	-	<b>4,042,882</b>
<i>FC</i>								
Foreign currency deposits	13,429	26,017	221,919	25,532	14,013	56,573	-	357,483
Interbank deposits	-	17	1,336	740	8,997	-	-	11,090
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13,429</b>	<b>26,034</b>	<b>223,255</b>	<b>26,272</b>	<b>23,010</b>	<b>56,573</b>	-	<b>368,573</b>
<b>Grand Total</b>	<b>21,106</b>	<b>608,671</b>	<b>3,224,995</b>	<b>212,244</b>	<b>261,280</b>	<b>83,159</b>	-	<b>4,411,455</b>

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**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**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Income</b>	<b>2,737,712</b>	<b>3,505,642</b>
Income from capital market operations	64,964	66,648
Income from derivative financial instruments	1,475,077	1,807,131
Foreign exchange gains	1,197,671	1,631,863
<b>Losses</b>	<b>(2,519,187)</b>	<b>(3,410,074)</b>
Loss from capital market operations	(16,785)	(8,318)
Loss from derivative financial instruments	(1,389,219)	(1,798,782)
Foreign exchange loss	(1,113,183)	(1,602,974)
<b>Net trading profit/loss</b>	<b>218,525</b>	<b>95,568</b>

Net income arising from changes in foreign exchange rates that relate to the Bank’s foreign exchange rate based derivative financial instruments is amounting to TL 114,455 as at and for the nine month ended 30 September 2016 (30 September 2015: TL 14,863 net income).

**4. Information on other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Income from reversal of specific provisions for loans	560,688	575,511
Communication income	31,144	37,637
Gain on sale of assets <sup>(*)</sup>	142,392	73,875
Rent income	733	1,007
Other income	67,275	65,477
<b>Total</b>	<b>802,232</b>	<b>753,507</b>

(\*) 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.

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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	1,269,384	732,662
<i>Loans and receivables in Group III</i>	343,031	246,770
<i>Loans and receivables in Group IV</i>	414,451	351,319
<i>Loans and receivables in Group V</i>	511,902	134,573
Non-performing commissions and other receivables	-	-
General provision expenses	190,980	341,878
Provision for possible losses	-	-
Impairment losses on securities:	4,776	4,951
<i>Trading securities</i>	-	-
<i>Investment securities available-for-sale</i>	4,776	4,951
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	18,485	17,635
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	18,485	17,635
Other <sup>(*)</sup>	53,411	94,267
<b>Total</b>	<b>1,537,036</b>	<b>1,191,393</b>

(\*) Other provision expenses amounting to TL 53,411 (30 September 2015: TL 94,267) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 46,426 (30 September 2015: TL 25,138) and provision expenses related to retail loans amounting to TL 6,985 (30 September 2015: TL 69,129)

6. Information on other operating expenses

	Current Period	Prior Period
Personnel Costs	1,119,321	1,035,322
Reserve for Employee Termination Benefits	60,040	43,096
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	6,474
Depreciation Expenses on Tangible Assets	97,238	93,963
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	16,403	12,704
Impairment Losses on Assets to be Disposed	4,138	4,629
Depreciation Expenses on Assets to be Disposed	15,397	11,796
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,120,242	972,297
<i>Operational lease expenses</i>	167,467	153,820
<i>Repair and maintenance expenses</i>	32,567	26,660
<i>Advertisement expenses</i>	49,036	50,709
<i>Other expenses</i>	871,172	741,108
Loss on sale of assets	1,347	340
Other <sup>(*)</sup>	438,719	498,703
<b>Total</b>	<b>2,872,845</b>	<b>2,679,324</b>

(\*) Other operating expenses amounting to TL 438,719 (30 September 2015: TL 498,703) is comprised of provision expenses for dividends to the personnel amounting to TL 112,687 (30 September 2015: TL 103,279), tax, fees and funds expenses amounting to TL 97,600 (30 September 2015: TL 85,677), “Saving Deposits Insurance Fund” expenses amounting to TL 101,826 (30 September 2015: TL 85,463) and other operating expenses amounting to TL 126,606 (30 September 2015: TL 224,284).

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

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

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

8. Information on tax provision from discontinued and continuing operations

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

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

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

10. Provision for taxes

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

In the current period, the Bank has recorded a tax charge of TL 593,583 (30 September 2015: TL 179,258) from the net taxable profit calculated in accordance the laws and regulations in effect.

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

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination / (Reversal) of Deductible Temporary Differences	16,042	(60,681)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	75,220	(140,232)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>91,262</b>	<b>(200,913)</b>

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 12,111,223 interest income, TL 702,715 net fees and commissions income and incurred TL 7,093,240 interest expenses, from ordinary banking transactions (30 September 2015: TL 9,875,205 interest income, TL 5,935,618 interest expenses, TL 673,575 net fees and commissions income).

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

None.

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

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period	Associates, 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	206,443	1,080,792	-	31,298	23,507	13,655
Interest and commission income	7,307	945	-	31	231	61
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	6,823	535	-	32	-	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	1,561,317	965,832	853,765	740,156	101,365	104,508
Interest on deposits	57,691	49,468	46,267	32,443	196	706

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	-	-	-	-	-

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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 0.17% (31 December 2015: 0.12%) and 3.18% (31 December 2015: 3.02%), respectively.

<b>Current Period</b>	<b>Amount</b>	<b>Compared to financial statement amount</b>
		<b>(%)</b>
Cash loans	229,950	0.17
Non-cash loans	1,125,745	3.18
Deposits	2,516,447	2.10
Forward and option agreements	-	-

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



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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY

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

<b>Profit Distribution Table of Year 2015</b>	
<b>Bank’s unconsolidated profit in its statutory financial statements</b>	<b>1,930,109</b>
<b>Net profit of the year subject to distribution</b>	<b>1,930,109</b>
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
<b>Net profit of the year subject to distribution</b>	<b>1,737,097</b>
Gain on sale of immovable and shares of associates and subsidiaries	1,660
Extraordinary reserves	1,635,437
<b>Dividends to shareholders</b>	<b>100,000</b>

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

<b>October 2016 (*)</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Negative
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Negative
National Long Term	AAA (tur)
National Outlook	Stable
Support	2
Support Rating Floor	BBB-
Viability Note	bbb-

<b>October 2016 (*)</b>	<b>Moody’s Investors’ Service</b>
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Stable

<b>November 2016 (*)</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Stable
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Stable
Turkey National Scale	trAA- / trA-1

(\*) Dates represent last report dates.

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**OTHER DISCLOSURES (Continued)**

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

On 4 October 2016, the Bank has obtained securitization loan at the amount of US Dollar 890 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 354.4 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 535.7 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

Bonds have been issued on 21 October 2016 amounting TL 95 million (Full TL) with 133 days maturity, on 26 October 2016 amounting 187,7 million (Full TL) with 128 days maturity.

Vakıfbank bonds of which value date are 21 October 2016 have been issued and offered to public through book-building totally 300 million (Full TL) on 17-18-19 October 2016, amounting TL 200 million (Full TL) with 126 days maturity and maturity date of which is 21 October 2017, amounting TL 100 million (Full TL) with 182 days maturity and maturity date of which is 21 April 2017.

As a result, Vakıfbank bond with the ISIN Code TRQVKFB21746 which has 9.1576% annual compound interest, 8.8961% simple interest and issue price was TL 97,021 with amounting TL 212,160,643 (Full TL) with 126 days maturity and maturity date of which is 21 October 2017.

Vakıfbank bond with the ISIN Code TRQVKFB41710 which has 9.3526% annual compound interest, 9.1431% simple interest and issue price was TL 95,640 with amounting TL 18,438,402 (Full TL) with 182 days maturity and maturity date of which is 21 April 2017.

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

**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 nine-month period ended 30 September 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 November 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.

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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	15,508
Domestic Branches	923
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	<a href="http://www.vakifbank.com.tr">http://www.vakifbank.com.tr</a>

VakıfBank Organizational Structure:

GROUP	SHAREHOLDERS	CAPITAL (100 Unit - 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	2,823,304	0.11
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	1,532,626	0.06
D	Free Float	630,359,436	25.22
<b>TOTAL</b>		<b>2,500,000,000</b>	<b>100.00</b>

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**Members of the Board of Directors:**

<b>NAME - SURNAME</b>	<b>TITLE - RESPONSIBILITY</b>	<b>GROUP</b>	<b>DATE OF APPOINTMENT</b>
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:**

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

**Members of Audit Committee:**

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

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**Management:**

<b>NAME - SURNAME</b>	<b>TITLE – RESPONSIBILITY</b>	<b>DATE OF APPOINTMENT</b>
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, Application Development Departments, System Management, IT Operations and Support, IT Claim Management, IT Business Development, IT Contract and Resource Management, Corporate Architecture Management, Project Management, Information Security, IT Process Management and Compliance)	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
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, Corporate Branches)	23 October 2013
Mustafa SAYDAM	Executive Vice President (Human Resources, Support Services, Distribution Channels)	28 October 2013
Mehmet Emin KARAAĞAÇ	Executive Vice President (Loans and Follow-up, Legal Affairs)	8 November 2013
Yakup ŞİMŞEK	Executive Vice President (Retail Banking, Payment Systems, Payment System Operations, Bank Insurance)	7 September 2016

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 was appointed as a member of the Board of Directors and Mr. Mehmet Emin BAYSA was appointed as a member of Audit Board.

As per the resolution of the Board of Directors meeting held on August 25th, 2016, Mr. Yakup ŞİMŞEK who was the Head of Cash Management Department of the Bank, was appointed as the Executive Vice President.

In the Bank’s Board of Directors meeting held on September 8th, 2016, duty of Executive Vice President Mr. Ali Engin EROĞLU terminated.

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

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**Significant Financial Indicators:**

BALANCE SHEET (TL million)	SEPTEMBER 2016	DECEMBER 2015	DIFFERENCE (%)
TOTAL SECURITIES	25,326	24,452	3.58
LOANS	136,936	122,974	11.35
-Corporate and Commercial Loans	97,109	86,364	12.44
-Retail Loans	39,827	36,611	8.78
DEPOSITS	119,986	109,923	9.16
-Term Deposits	97,454	89,645	8.71
-Demand Deposits	22,532	20,278	11.12
FUNDS BORROWED	17,860	18,556	(3.75)
SUBORDINATED LOANS	4,302	4,169	3.18
SECURITIES ISSUED	12,011	10,548	13.88
EQUITY	18,783	16,768	12.02
TOTAL ASSETS	197,612	182,947	8.02
NON-CASH LOANS	35,456	33,068	7.22

INCOME STATEMENT (TL million)	SEPTEMBER 2016	SEPTEMBER 2015	DIFFERENCE (%)
INTEREST INCOME	12,111	9,875	22.64
INTEREST EXPENSE	7,093	5,936	19.50
NET INTEREST INCOME	5,018	3,940	27.37
NET FEE&COMMISSION INCOME	703	674	4.33
DIVIDEND INCOME	92	62	47.63
TRADING INCOME/LOSSES (Net)	219	96	128.66
OTHER OPERATING INCOME	802	754	6.47
TOTAL OPERATING PROFIT	6,833	5,524	23.69
PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	1,537	1,191	29.01
OTHER OPERATING EXPENSES (-)	2,873	2,679	7.22
PROFIT BEFORE TAX	2,423	1,654	46.54
TAX PROVISION (-)	502	380	32.13
NET PROFIT/LOSS	1,921	1,273	50.84

RATIOS (%)	SEPTEMBER 2016	DECEMBER 2015
LOANS/TOTAL ASSETS	69.30	67.22
LOANS/DEPOSITS	114.13	111.87
NPL RATIO	4.06	3.79
CAPITAL ADEQUACY RATIO	14.42	14.52
RETURN ON AVERAGE ASSETS (ROAA)	1.35	1.13
RETURN ON AVERAGE EQUITY (ROAE)	14.41	12.24
INTEREST INCOME/INTEREST EXPENSE	170.74	167.37
NON-INTEREST INCOME/NON-INTEREST EXPENSE	36.95	37.47

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**Assessment of the Chairman of the Board of Directors:**

Esteemed Stakeholders,

In 3Q 2016, the key determinants of the developments in the global markets were the US Federal Reserve (Fed) interest rate hike expectations and the Bank of England’s (BoE) decisions following Brexit. Within this period, Fed did not change the interest rates due to low 2Q growth rate figures announced in the USA. However, Fed members strive to keep the interest rate hike potential alive through their statements, considering the ongoing recovery in the employment sector despite the fact that the expected positive indications failed to be observed in the growth and inflation figures, as well as the concerns that the economy may suffer from the interest rates being kept low for a sustained period of time.

In the third quarter of the year, The European Central Bank (ECB) made no changes in either the interest rates or the volume of its bond purchase program. Thus, the ECB pinned the interest rates to the rock bottom by keeping the deposit interest rate at -0.4%, marginal lending interest rate at 0.25% and the refinancing interest rate, which is the policy interest rate at 0%, while keeping the monthly bond purchase volume at Euro 80 billion. Moreover, the ECB revised its inflation and growth rate expectations in its meeting in September. Following the meeting, ECB Chairman, Mario Draghi stated that the 2016 growth expectation was revised from 1.6% to 1.7%, while the expectations for years 2017 and 2018 were reduced from 1.7% to 1.6%. Nevertheless, Draghi announced that they did not modify their inflation expectations for 2016, keeping it at 0.2%.

The Bank of Japan (BoJ) did not change interest rates for the third quarter, however, revised its monetary policy framework. BoJ gave up its monetary base targets, and incorporated yield curve control into its quantitative and qualitative monetary expansion program (QQE). The yield curve became prominently horizontal after BoJ’s reduction of interest rates to sub-zero levels.

Following Brexit, Bank of England (BoE) announced a decrease in its August meeting, for the first time since 2009, reducing its policy interest rate to a record-low of 0.25% from its long-term steady level of 0.50%, and boosted the volume of its asset purchase program from 375 billion Pounds to 435 billion Pounds. BoE’s decision is considered significant, as an indication of low interest and loose monetary policies spreading to general practice. While it was subject to debate prior to Brexit whether or not BoE would hike interest rates, similar to the Fed case, following Brexit, BoE joined the team of central banks who symbolically reduced interest rates.

Our country went through dire times within the same period. On Friday evening of July 15th, 2016, a treacherous terrorist group within the Turkish Armed Forces attempted a military coup against the national will, the country, the republic, and our unity and solidarity. Our greatest pride in such days was the fact that such traitor coup attempt failed thanks to the citizens’ determination and belief in democracy. Disaster scenarios imposed following the traitor coup attempt also failed to realize, with our country proving itself once more in the areas of sustainable growth and financial stability. Large-scale investments resumed pace, with the country continuing its growth and development. Thus, VakıfBank continues its contribution to the financing of these investments worthy of pride.

In 3Q 2016, VakıfBank’s total assets reached TL 197.612 million, increasing by 8.02% compared to 2015 year end. Moreover, the Bank’s net profit increased by 50.84% in the first 9 months of 2016, compared to the same period of the previous year, advancing to TL 1.921 million. The Bank will continue to work for its country and the nation, sustaining its growth in the upcoming periods with the strength it gets from our beloved country and citizens.

Hereby, I would like to take this opportunity, on behalf of the Bank, to thank our clients, employees, shareholders and investors who have contributed to our success. I would like to conclude by regretfully condemning the treacherous coup attempt on July 15, 2016, and expressing my gratitude to our President, Chairman of the Parliament, Prime Minister, Government, Security Forces and the Turkish Nation.

Yours sincerely,

**Ramazan GÜNDÜZ**  
**Chairman of the Board of Directors**

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**Assessment of the General Manager:**

Esteemed Stakeholders,

On Friday evening of July 15th, 2016, a vile terrorist group within the Turkish Armed Forces dared a military coup attempt against the national will, the country, the republic, and our unity and solidarity. Notably our President, as well as the Chairman of the Parliament, Prime Minister, Government and the precious Turkish Nation resisted together against this coup attempt from the very beginning. Following this treacherous coup attempt, we have eluded the hard times in unity and solidarity, keeping on as a country by gaining strength.

As VakıfBank, we have bolstered our total assets by 8.02% within the last nine months with the strength we received from our nation, increasing it to TL 197,612 million. In the same period, we have continued our contribution to the ever-growing Turkish economy. We have raised our cash and non-cash loans by 10.48%, to an aggregate of TL 172.392 million. Moreover, we have ranked the 6th in the list of Corporate Taxpayers for the 2015 Taxation Period.

In 3Q 2016, we have enhanced our retail loans to TL 39.827 million, while raising our commercial loans to TL 97.109 million. In the same period, we have continued our support to the projects which contribute to the development of the country.

Supporting SMEs is among our top priorities. In addition to core banking services, we continue our activities with the goal of becoming a business partner for SMEs, which strives to provide them a better future. Within this scope, SME loans increased by 8.11% compared to 2015 year end, reaching a total of TL 36,001 million. In addition, we continued our breakthrough in agricultural banking. We offer special loan packages under protocols we have entered into with many chambers of agriculture and producers’ and growers’ associations throughout Turkey, thereby continuing our support in each and every phase of agricultural production. Within this period, we signed protocols with the Nevşehir Chamber of Agriculture, Akçaabat Chamber of Agriculture, Karpuzlu Chamber of Agriculture, Çine Chamber of Agriculture, İnegöl Chamber of Agriculture and Aksaray Central District Milk Producers’ Association. In addition, as VakıfBank, we introduced the TMO Card to producers, in order to facilitate the collection of the price of the products they have sold to the Agricultural Products Office. We will continue to facilitate the lives of agriculture producers in the future, with advantageous agricultural banking products we plan to offer.

We extended our funding sources in this period. Total deposits grew by 9.16%, reaching TL 119.986 million. We also kept our efforts towards diversification of funding sources and extension of the average maturity of them. The European Bank for Reconstruction and Development (EBRD) allocated a new loan limit of Euro 150 million for the Bank. We will offer this new loan to the disposal of the real economy within the scope of various programs. Such new loan limit, allocated following the treacherous coup attempt on July 15th, is a very nice response to the credit rating agencies downgrading the sovereign rating. The said loan limit, being the largest lump sum we have been granted, is a reflection of the trust towards the Turkish economy, the Turkish banking sector and the Bank. As VakıfBank, we will keep on contributing to our country’s growth and supporting the real economy by providing long term and cost-effective international funds.

In the third quarter of 2016, we obtained an international funding of USD 1,725 million within one-week. Thus, we have escalated our total international borrowing volume since the beginning of year 2016 to USD 4.7 billion. This year, a Turkish bank was awarded for the first time in the award ceremony following the “Covered Bond 2016 Congress”, organized for the fourteenth time by the ECBC (European Covered Bond Council) and The Euromoney. VakıfBank was awarded the first prize in the “Best Debut Deal” category, with Turkey’s first Euro-denominated covered bond issue which is realized in April.



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Following the failed coup attempt on July 15, 2016, we were the first Turkish bank to send a memorandum to our network of around 1500 international investors and around 750 corresponding banks on Monday, July 18th, in order to eliminate information pollution. In the said memorandum, we underlined that the country had suffered an attempted military coup by a malevolent terrorist group within the Turkish Armed Forces; however, primarily our President, Chairman of the Parliament, Prime Minister, Parliament, Government, as well as our Security Forces, including the Turkish Armed Forces, took control of the situation and fully restored security throughout the country; our citizens supported national will and the constitutional regime, clearly protesting the attempted coup against the State of the Turkish Republic and its elected President, Parliament and Government; and all operational activities of VakıfBank and the Turkish banking sector were continuing healthily and securely, without being negatively affected by the treacherous coup attempt on July 15th, 2016.

In the first nine months of 2016, we improved our net income by 50.84% year-on-year, reaching a total of TL 1,921 million TL compared to the same period of 2015. We continue to keep a significant portion of our profit in the balance sheet without sacrificing growth, and thereby improving our solvency ratios.

We have achieved successful results in the third quarter, despite the uncertainty and increasing fragility in the global markets. In the future, we will march towards our goals at a faster pace, with the strength we get from our country. I would like to take this opportunity to thank our customers, employees, shareholders and Board of Directors for their support in our success.

Lastly, I would like to express my gratitude to our President, the Chairman of the Turkish Grand National Assembly, Prime Minister, Government, Security Forces and the Turkish nation for their efforts in the failure of the coup attempt. I wish the martyrs of this dire event to rest in peace, and the veterans to recover their health soon.

Yours sincerely,

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

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**Assessment of Financial Status:**

Continuing its growth with special emphasis on sustainable profitability, VakıfBank enjoyed an 8.02% growth in its total assets in the third quarter of 2016, reaching an aggregate of TL 197,612 million TL. Total loans, one of the major contributors to total asset growth, elevated to TL 136.936 million, corresponding to an improvement of 11.35%. The share of total loans in the total assets is 69.82%. In the same period, the Bank increased its commercial loans by 12.44%, while enhancing its retail loans by 8.78%, bolstered by a growth of 10.90% in residential mortgage loans and 6.21% in general purpose consumer loans.

In 3Q 2016, the Bank maintained its strong position in terms of asset quality, as well as profitability and funding structure. In the same period, average return on assets realized at 1.35%, while average return on equity was 14.41% 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 amounting TL 300 million with 91 days maturity and maturity date of which is 21.10.2016, TL 200 million with 154 days maturity and maturity date of which is 23.12.2016, TL 100 million with 217 days maturity and maturity date of which is 24.02.2017 were offered to public by the Bank through book building on July 18-19-20, 2016. TL 215,966,630 nominal demand was received for the Bank bond with 91 days maturity, TL 112,820,356 for the Bank bond with 154 days maturity and TL 122,354,706 for the Bank bond with 217 days maturity. Bids of individual and corporate investors have been fully met in all three maturities, and total issuance amount was TL 451,141,692 nominal. As a result of the book-running for 91 days VakıfBank bond public offer, 29% of the bonds were allocated to domestic corporate investors and 71% to domestic individual investors; and as a result of the book-running for 154 days VakıfBank bond public offer, 53% of bonds were allocated to domestic corporate investors, and 47% to domestic individual investors; and as a result of the book-running for 217 days VakıfBank bond public offer, 74% of bonds were allocated to domestic corporate investors, and 26% to domestic individual investors.

Bank bonds amounting TL 79 million with 210 days maturity and maturity date of which is 24.03.2017, TL 247 million with 91 days maturity and maturity date of which is 25.11.2016, TL 110 million with 147 days maturity and maturity date of which is 20.01.2017 were offered to public by the Bank through book building on August 22-23-24, 2016. TL 247,455,411 nominal demand was received for the Bank bond with 91 days maturity, TL 109,897,572 for the Bank bond with 147 days maturity and TL 78,748,480 for the Bank bond with 210 days maturity. Bids of individual and corporate investors have been fully met in all three maturities, and total issuance amount was TL 436,101,463 nominal. As a result of the book-running for 91 days VakıfBank bond public offer, 31% of the bonds were allocated to domestic corporate investors and 69% to domestic individual investors; and as a result of the book-running for 147 days VakıfBank bond public offer, 17% of bonds were allocated to domestic corporate investors, and 83% to domestic individual investors; and as a result of the book-running for 210 days VakıfBank bond public offer, 48% of bonds were allocated to domestic corporate investors, and 52% to domestic individual investors.

Bank bonds amounting TL 200 million with 175 days maturity and maturity date of which is 24.03.2017 and TL 400 million with 112 days maturity and maturity date of which is 25.11.2016 were offered to public by the Bank through book building on September 26-27-28, 2016. TL 250,211,522 nominal demand was received for the Bank bond with 112 days maturity and TL 77,430,951 for the Bank bond with 175 days maturity. Bids of individual and corporate investors have been fully met for both maturities, and total issuance amount was TL 327,642,473 nominal. As a result of the book-running for 112 days VakıfBank bond public offer, 35% of the bonds were allocated to domestic corporate investors and 65% to domestic individual investors; and as a result of the book-running for 175 days VakıfBank bond public offer, 38% of bonds were allocated to domestic corporate investors, and 62% to domestic individual investors.

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On September 26th, 2016, under the coordination of ING Bank NV London Branch and National Bank of Abu Dhabi, VakıfBank signed a 367-days term syndication loan agreement amounting to USD 224.5 million and EUR 544 million in order to be utilized for trade finance purposes.

In the same period, the European Bank for Reconstruction and Development (EBRD) allocated a new credit line of Euro 150 million for our Bank. The said new credit line will be offered to the real economy under three separate programs denominated in different currencies.

The Bank increased its total deposits by 9.16% in the third quarter of 2016, to an overall amount of TL 119.986 million. In the same period, net profit of the Bank was realized as TL 1.921 million, with an increase of 50.84% compared to the same period of last year. Within the same time frame, interest income and interest expenses hiked by 22.64% and 19.50%, respectively, on a year-on-year basis.

In the upcoming periods, the Bank will stick to its growth-oriented strategies, particularly through the implementation of operational improvements aiming to strengthen its equity and reduce the non-interest expenses and practices seeking to increase non-interest revenues, while continuing its activities to further market share gaining.

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**Affiliates and Subsidiaries (Thousand TL):**

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 the national economy with its subsidiaries operating in various sectors. As of September 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 subsidiaries, held its 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 subsidiaries, held its 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 Portföy Yönetimi A.Ş.’s capital of TL 3,000 was increased by TL 9,000 through a bonus issue, reaching TL 12,000. Following the bonus issue, the Bank’s existing nominal share of TL 3,000 was raised to TL 12,000, representing an increase of TL 9,000, with its shareholding percentage remaining the same (100.00%). Capital amounting to TL 9,000, 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. 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. 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.

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**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, 34415 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:

<b>October 2016 (*)</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Foreign Currency Outlook	Negative
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Local Currency Outlook	Negative
National Long Term	AAA (tur)
National Outlook	Stable
Support	2
Support Rating Floor	BBB-
Viability Rating	bbb-
<b>October 2016 (*)</b>	<b>Moody's Investors' Service</b>
Baseline Credit Assessment	ba2
Local Currency Deposit Rating	Ba1/NP
Local Currency Outlook	Stable
Foreign Currency Deposit Rating	Ba2/NP
Foreign Currency Outlook	Stable
<b>November 2016 (*)</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Stable
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Stable
Turkey National Scale	trAA- / trA-1

(\*) Dates represent last report dates.

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**Other Issues:**

In this period, four representative offices have been opened. These branches are Ankara Regional Courts of Justice Representative Office, Prime Ministry/Ankara Representative Office, Emlak Konut Real Estate/İstanbul Representative Office and İstanbul Municipality Kasımpaşa Representative Office.

Serving through domestic and foreign branches in the sector, the Bank continues its operations with 3 foreign, 923 domestic branches and 926 branches in total as of September 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:

<b>2015 Profit Distribution Table</b>	
<b>Thousand TL</b>	
<b>Bank’s unconsolidated profit in its statutory financial statements</b>	<b>1,930,109</b>
<b>Net profit subject to distribution</b>	<b>1,930,109</b>
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
<b>Shares to be distributed to shareholders</b>	<b>1,737,097</b>
Gain on sale of real estate and shares of associates and subsidiaries	1,660
Extraordinary reserves	1,635,437
<b>Dividend to shareholders</b>	<b>100,000</b>

**Investor Relations Attendants:**

NAME - SURNAME	TITLE	PHONE	E-MAIL
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*VakıfBank’s Year End 2015 and September 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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