

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

**(Convenience Translation of Publicly Announced Consolidated
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 consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") at 30 June 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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



Conclusion

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

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VIII, is not consistent with the reviewed consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM
Partner

Istanbul, 9 August 2016

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

Address : Sultan Selim Mahallesi, Eski Büyükdere Caddesi
No:59, Kağıthane / İstanbul
Telephone : 0212 398 15 15- 0 212 398 10 00
Fax : 0212 398 11 55
Electronic web site : www.vakifbank.com.tr
Electronic mail address : mevzuat@vakifbank.com.tr

The consolidated interim financial report as at and for the six-month ended 30 June 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 PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The subsidiaries and associates included in the consolidated financial report are as follows:

SUBSIDIARIES	ASSOCIATES	JOINT-VENTURES
Güneş Sigorta A.Ş.	Kıbrıs Vakıflar Bankası Ltd.	-
Vakıf Emeklilik A.Ş.	Türkiye Sınai Kalkınma Bankası A.Ş.	-
Vakıf Faktoring A.Ş.	-	-
Vakıf Finansal Kiralama A.Ş.	-	-
Vakıf Portföy Yönetimi A.Ş.	-	-
Vakıf Yatırım Menkul Değerler A.Ş.	-	-
Vakıfbank International AG	-	-
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	-	-

The consolidated interim financial statements for the six-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 consolidated interim financial report is presented in thousands of Turkish Lira (TL), and has been subjected to limited review.

9 August 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:

Name-Surname/Title: S. Buğra SÜRÜEL / Manager
Phone no : 0 312 591 11 48
Fax no : 0 312 591 20 01

Name-Surname/Title: Burcu Sütcü AKDAĞ / Asst. Manager
Phone no : 0 312 591 11 93
Fax no : 0 312 591 20 01

	Page No:
<u>SECTION ONE</u>	
General Information	
I. History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status	1
II. The Parent Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on Bank's risk group	1
III. Information on the Parent Bank's chairman and members of the board of directors, audit committee members, general manager, assistant general managers and their shares in the Bank	2-3
IV. Information on the Parent Bank's qualified shareholders	3
V. Information about the services and nature of activities of the Parent Bank	3
VI. Differences between the communique on preparation of consolidated financial statements of banks and Turkish accounting standards and short explanation about the institutions subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods	4
VII. Current of likely actual or legal barriers to immediate transfer of equity or repayment of debts between the Parent Bank and its subsidiaries	4
<u>SECTION TWO</u>	
Consolidated Financial Statements	
I. Consolidated balance sheet – Assets	6
II. Consolidated balance sheet - Liabilities and equity	7
III. Consolidated off-balance sheet items	8
IV. Consolidated statement of income	9
V. Consolidated statement of profit and loss items accounted under shareholders' equity	10
VI. Consolidated statement of changes in equity	11-12
VII. Consolidated statement of cash flows	13
<u>SECTION THREE</u>	
Accounting Policies	
I. Basis of presentation	14
II. Strategy for the use of financial instruments and information on foreign currency transactions	15
III. Information on associates that are consolidated and subsidiaries that are accounted according to equity method	16-17
IV. Information on forwards, options and other derivative transactions	17
V. Information on interest income and expenses	18
VI. Information on fees and commissions	18
VII. Information on financial assets	18-19
VIII. Information on impairment of financial assets	20
IX. Information on offsetting of financial instruments	20
X. Information on sales and repurchase agreements and securities lending	20
XI. Information on assets held for sale and discontinued operations	20
XII. Information on goodwill and other intangible assets	21
XIII. Information on tangible assets	21
XIV. Information on investment properties	22
XV. Information on leasing activities	22
XVI. Information on provisions, contingent assets and liabilities	23
XVII. Information on obligations of the Group concerning employee rights	23-24
XVIII. Information on taxation	25-26
XIX. Information on cash and cash equivalents	26
XX. Additional information on borrowings	27
XXI. Information on issuance of equity securities	27
XXII. Information on confirmed bills of exchange and acceptances	27
XXIII. Information on government incentives	27
XXIV. Information on segment reporting	27
XXV. Other matters	27-29
<u>SECTION FOUR</u>	
Information Related to the Consolidated Financial Position and Risk Management	
I. Consolidated equity items	30-36
II. Consolidated foreign currency exchange risk	37-39
III. Consolidated interest rate risk	40-42
IV. Consolidated stock position risk	43-44
V. Consolidated liquidity risk and coverage ratio	44-49
VI. Consolidated leverage ratio	50-51
VII. Consolidated segment reporting	51-53
VIII. Information on risk management	54-58
<u>SECTION FIVE</u>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	59-77
II. Information and disclosures related to consolidated liabilities	78-85
III. Information and disclosures related to consolidated off-balance sheet items	85-87
IV. Information and disclosures related to consolidated statement of income	88-93
V. Information and disclosures related to Parent Bank's risk group	94-95
<u>SECTION SIX</u>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	96
II. Information on the Parent Bank's rating given by international credit rating institutions	96
III. Significant events and matters subsequent to balance sheet date that are not resulted	97
IV. Effects of significant foreign currency exchange rate fluctuations subsequent to reporting date, that effect the decision of users of financial statements, on the Parent Bank's foreign operations, financial statements and foreign currency transactions	97
<u>SECTION SEVEN</u>	
Auditors' Review Report	
I. Information on limited review report	98
II. Explanations and footnotes prepared by independent auditor	98
<u>SECTION EIGHT</u>	
Information on Consolidated Interim Activity Report	
I. Interim period activity report included the Parent Bank's chairman of the board of directors and CEO's assessments for the interim activities	99-108

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

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

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

SECTION ONE

GENERAL INFORMATION

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“The Bank” or “The Parent 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 PARENT 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 Parent Bank is the General Directorate of the Foundations.

As at 30 June 2016 and 31 December 2015, The Bank’s paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank’s shareholders structure as at 30 June 2016 is stated below:

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

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AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

GENERAL INFORMATION (Continued)

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

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

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FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

GENERAL INFORMATION (Continued)

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

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

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

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

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

The shareholder holding control over the Parent 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 Parent Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

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

The Parent 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.

The Parent Bank and its consolidated subsidiaries are called as “The Group” in the report.

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

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FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

GENERAL INFORMATION (Continued)

**VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED
FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND
SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD
OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM
EQUITY OR NOT INCLUDED IN THESE THREE METHODS**

As at and for the six-month period ended 30 June 2016, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Faktoring A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

As at and for the six-month period ended 30 June 2016, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası A.Ş. and Kredi Garanti Fonu A.Ş. are excluded from the scope of consolidation according to the Communiqué on Preparation of Consolidated Financial Statements. Since Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş., Roketsan Roket Sanayi ve Ticaret A.Ş., Güçbirliği Holding A.Ş. and İzmir Enternasyonal A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Vakıf Enerji ve Madencilik A.Ş., Taksim Otelcilik A.Ş., Vakıf Pazarlama Sanayi ve Ticaret A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

**VII. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF
EQUITY OR REPAYMENT OF DEBTS BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

AS AT 30 JUNE 2016

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

ASSETS	Notes	Reviewed Current Period 30 June 2016			Audited Prior Period 31 December 2015		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	3,189,610	22,615,300	25,804,910	2,134,017	19,355,897	21,489,914
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	899,588	178,070	1,077,658	840,168	155,694	995,862
2.1 Financial assets held for trading purpose		899,588	178,070	1,077,658	840,168	155,694	995,862
2.1.1 Debt securities issued by the governments		504	9,648	10,152	312	9,566	9,878
2.1.2 Equity securities		4,557	-	4,557	1,832	-	1,832
2.1.3 Derivative financial assets held for trading purpose	V-I-2	815,096	168,422	983,518	739,339	146,128	885,467
2.1.4 Other securities		79,431	-	79,431	98,685	-	98,685
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 Other securities		-	-	-	-	-	-
2.2.4 Loans		-	-	-	-	-	-
III. BANKS	V-I-3	889,600	4,608,910	5,498,510	1,185,799	4,990,220	6,176,019
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		5,808	-	5,808	6,699	-	6,699
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		3,415	-	3,415	3,310	-	3,310
4.3 Receivables from reverse repurchase agreements		2,393	-	2,393	3,389	-	3,389
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,425,417	5,418,837	17,844,254	12,100,346	5,235,765	17,336,111
5.1 Equity securities		15	22,412	22,427	15	79,238	79,253
5.2 Debt securities issued by the governments		12,425,402	5,287,430	17,712,832	12,100,331	5,028,990	17,129,321
5.3 Other securities		-	108,995	108,995	-	127,537	127,537
VI. LOANS AND RECEIVABLES	V-I-5	93,264,003	38,765,484	132,029,487	88,452,140	37,507,539	125,959,679
6.1 Performing loans and receivables		92,218,237	38,760,396	130,978,633	87,548,356	37,502,389	125,050,745
6.1.1 Loans provided to risk group	V-V-1	5,522	1,029	6,551	1,071	822	1,893
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		92,212,715	38,759,367	130,972,082	87,547,285	37,501,567	125,048,852
6.2 Loans under follow-up		5,657,406	66,536	5,723,942	5,071,771	66,342	5,138,113
6.3 Specific provisions (-)	V-I-5	4,611,640	61,448	4,673,088	4,167,987	61,192	4,229,179
VII. FACTORING RECEIVABLES		770,285	113,467	883,752	622,754	94,973	717,727
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	7,587,748	158,447	7,746,195	7,546,748	130,981	7,677,729
8.1 Debt securities issued by the governments		7,587,748	-	7,587,748	7,546,748	-	7,546,748
8.2 Other securities		-	158,447	158,447	-	130,981	130,981
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	314,997	3	315,000	295,332	3	295,335
9.1 Associates, consolidated per equity method		265,211	-	265,211	245,549	-	245,549
9.2 Unconsolidated associates		49,786	3	49,789	49,783	3	49,786
9.2.1 Financial associates		37,433	-	37,433	37,434	-	37,434
9.2.2 Non-Financial associates		12,353	3	12,356	12,349	3	12,352
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	270,637	-	270,637	271,017	-	271,017
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		270,637	-	270,637	271,017	-	271,017
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	314,540	1,014,947	1,329,487	318,359	1,007,466	1,325,825
12.1 Finance lease receivables		397,877	1,134,686	1,532,563	401,084	1,134,987	1,536,071
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		83,337	119,739	203,076	82,725	127,521	210,246
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		1,668,821	7,576	1,676,397	1,648,900	5,218	1,654,118
XV. INTANGIBLE ASSETS (Net)		218,640	23	218,663	201,506	31	201,537
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		218,640	23	218,663	201,506	31	201,537
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	323,771	-	323,771	287,726	-	287,726
XVII. TAX ASSETS	V-I-13	192,095	-	192,095	139,972	2,944	142,916
17.1 Current tax assets	V-I-13	184	-	184	787	2,944	3,731
17.2 Deferred tax assets	V-I-13	191,911	-	191,911	139,185	-	139,185
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	1,081,794	-	1,081,794	994,991	-	994,991
18.1 Assets held for sale		1,081,794	-	1,081,794	994,991	-	994,991
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-15	2,916,056	980,922	3,896,978	2,789,299	1,263,054	4,052,353
TOTAL ASSETS		126,333,410	73,861,986	200,195,396	119,835,773	69,749,785	189,585,558

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

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

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

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

LIABILITIES AND EQUITY		Notes	Reviewed Current Period 30 June 2016			Audited Prior Period 31 December 2015		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	80,375,741	35,587,757	115,963,498	76,054,788	35,955,209	112,009,997
1.1	Deposits of risk group	V-V-1	1,804,105	62,574	1,866,679	1,209,289	110,608	1,319,897
1.2	Other deposits		78,571,636	35,525,183	114,096,819	74,845,499	35,844,601	110,690,100
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	254,043	489,753	743,796	153,177	151,175	304,352
III.	FUNDS BORROWED	V-II-3	1,444,506	18,668,171	20,112,677	932,351	19,262,696	20,195,047
IV.	INTERBANK MONEY MARKET		14,005,326	1,860,413	15,865,739	9,423,761	3,403,437	12,827,198
4.1	Interbank money market takings		1,300,325	-	1,300,325	1,150,343	-	1,150,343
4.2	Istanbul Stock Exchange money market takings		104,830	-	104,830	83,157	-	83,157
4.3	Obligations under repurchase agreements		12,600,171	1,860,413	14,460,584	8,190,261	3,403,437	11,593,698
V.	SECURITIES ISSUED (Net)	V-II-3	3,059,296	8,855,327	11,914,623	3,257,620	7,389,088	10,646,708
5.1	Bills		3,059,296	-	3,059,296	3,257,620	-	3,257,620
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	8,855,327	8,855,327	-	7,389,088	7,389,088
VI.	FUNDS		3,729	-	3,729	4,228	-	4,228
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Other		3,729	-	3,729	4,228	-	4,228
VII.	MISCELLANEOUS PAYABLES		4,171,815	509,156	4,680,971	3,647,401	750,360	4,397,761
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	904,340	1,709,149	2,613,489	662,279	1,783,682	2,445,961
IX.	FACTORING PAYABLES		506	-	506	-	5	5
X.	LEASE PAYABLES (Net)	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	5,206,384	35,746	5,242,130	5,025,269	31,277	5,056,546
12.1	General provisions	V-II-7	2,074,293	12,091	2,086,384	1,944,150	13,453	1,957,603
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		656,210	1,518	657,728	700,635	1,544	702,179
12.4	Insurance technical provisions (Net)		2,159,061	9,678	2,168,739	2,082,428	9,127	2,091,555
12.5	Other provisions	V-II-7	316,820	12,459	329,279	298,056	7,153	305,209
XIII.	TAX LIABILITIES	V-II-8	628,111	12,787	640,898	531,561	7,888	539,449
13.1	Current tax liabilities		619,672	1,596	621,268	514,681	1,678	516,359
13.2	Deferred tax liabilities		8,439	11,191	19,630	16,880	6,210	23,090
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	4,109,154	4,109,154	-	4,155,551	4,155,551
XVI.	EQUITY		17,689,448	614,738	18,304,186	16,437,456	565,299	17,002,755
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		1,709,474	287,794	1,997,268	1,390,356	257,405	1,647,761
16.2.1	Share premium		727,780	-	727,780	727,780	-	727,780
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	68,435	287,794	356,229	(227,394)	257,405	30,011
16.2.4	Revaluation surplus on tangible assets		964,089	-	964,089	940,657	-	940,657
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		3,683	-	3,683	3,683	-	3,683
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		(54,513)	-	(54,513)	(54,370)	-	(54,370)
16.3	Profit reserves		12,040,405	173,497	12,213,902	10,163,563	170,099	10,333,662
16.3.1	Legal reserves		1,425,366	7,942	1,433,308	1,228,224	7,942	1,236,166
16.3.2	Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3	Extraordinary reserves		10,159,375	4,594	10,163,969	8,475,454	4,594	8,480,048
16.3.4	Other profit reserves		449,327	160,961	610,288	453,548	157,563	611,111
16.4	Profit or loss		999,798	106,838	1,106,636	1,921,411	94,530	2,015,941
16.4.1	Prior years' profit/loss		(110,421)	93,582	(16,839)	(34,277)	101,630	67,353
16.4.2	Current period's profit/loss		1,110,219	13,256	1,123,475	1,955,688	(7,100)	1,948,588
16.5	Non-controlling interest		439,771	46,609	486,380	462,126	43,265	505,391
TOTAL LIABILITIES AND EQUITY			127,743,245	72,452,151	200,195,396	116,129,891	73,455,667	189,585,558

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED OFF-BALANCE SHEET
AS AT 30 JUNE 2016**

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

	Notes	Reviewed Current Period 30 June 2016			Audited Prior Period 31 December 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		71,293,886	72,269,025	143,562,911	54,303,859	64,173,751	118,477,610
I. GUARANTEES AND SURETIES	V-III-2	23,324,594	10,343,712	33,668,306	22,126,363	10,993,538	33,119,901
1.1 Letters of guarantee	V-III-1	23,178,954	4,494,388	27,673,342	21,980,769	4,816,824	26,797,593
1.1.1 Guarantees subject to State Tender Law		2,675,019	2,190,067	4,865,086	2,542,809	2,199,589	4,742,398
1.1.2 Guarantees given for foreign trade operations		1,068,118	-	1,068,118	1,030,530	-	1,030,530
1.1.3 Other letters of guarantee		19,435,817	2,304,321	21,740,138	18,407,430	2,617,235	21,024,665
1.2 Bank acceptances		79,693	676,674	756,367	86,762	1,389,251	1,476,013
1.2.1 Import letter of acceptance		-	204,753	204,753	1,590	189,471	191,061
1.2.2 Other bank acceptances		79,693	471,921	551,614	85,172	1,199,780	1,284,952
1.3 Letters of credit		2,639	5,151,596	5,154,235	16,306	4,772,403	4,788,709
1.3.1 Documentary letters of credit		2,639	5,151,596	5,154,235	16,306	4,772,403	4,788,709
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,291	2,291	-	2,314	2,314
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		63,308	2,531	65,839	42,526	2,224	44,750
1.8 Other guarantees		-	8,077	8,077	-	10,522	10,522
1.9 Other sureties		-	8,155	8,155	-	-	-
II. COMMITMENTS		25,838,951	13,073,430	38,912,381	21,560,921	13,287,107	34,848,028
2.1 Irrevocable commitments		23,131,842	4,482,373	27,614,215	19,153,861	3,897,112	23,050,973
2.1.1 Asset purchase commitments	V-III-1	2,246,683	4,375,859	6,622,542	112,420	3,730,953	3,843,373
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	8,965,301	11,689	8,976,990	8,482,816	11,931	8,494,747
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	2,005,128	-	2,005,128	1,805,569	-	1,805,569
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	8,158,027	-	8,158,027	7,399,361	-	7,399,361
2.1.10 Commitments for credit card and banking operations promotions		267,056	-	267,056	196,037	-	196,037
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,489,647	94,825	1,584,472	1,157,658	154,228	1,311,886
2.2 Revocable commitments		2,707,109	8,591,057	11,298,166	2,407,060	9,389,995	11,797,055
2.2.1 Revocable loan granting commitments		2,707,109	8,591,057	11,298,166	2,407,060	9,389,995	11,797,055
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		22,130,341	48,851,883	70,982,224	10,616,575	39,893,106	50,509,681
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		22,130,341	48,851,883	70,982,224	10,616,575	39,893,106	50,509,681
3.2.1 Forward foreign currency purchases/sales		343,270	327,326	670,596	211,514	257,246	468,760
3.2.1.1 Forward foreign currency purchases		171,927	163,720	335,647	106,014	128,693	234,707
3.2.2.2 Forward foreign currency sales		171,343	163,606	334,949	105,500	128,553	234,053
3.2.2 Currency and interest rate swaps		20,240,808	39,226,724	59,467,532	9,535,325	31,037,511	40,572,836
3.2.2.1 Currency swaps-purchases		12,896,725	13,459,890	26,356,615	4,474,398	12,245,882	16,720,280
3.2.2.2 Currency swaps-sales		6,344,083	14,092,560	20,436,643	4,160,927	6,377,871	10,538,798
3.2.2.3 Interest rate swaps-purchases		500,000	5,837,137	6,337,137	450,000	6,206,879	6,656,879
3.2.2.4 Interest rate swaps-sales		500,000	5,837,137	6,337,137	450,000	6,206,879	6,656,879
3.2.3 Currency, interest rate and security options		286,734	333,896	620,630	258,134	255,396	513,530
3.2.3.1 Currency call options		100,158	204,476	304,634	65,004	185,976	250,980
3.2.3.2 Currency put options		186,576	129,420	315,996	193,130	69,420	262,550
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Other		1,259,529	8,963,937	10,223,466	611,602	8,342,953	8,954,555
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		986,166,098	434,981,155	1,421,147,253	900,903,931	422,152,366	1,323,056,297
IV. ITEMS HELD IN CUSTODY		81,921,451	3,289,105	85,210,556	75,156,434	3,413,733	78,570,167
4.1 Customers' securities held		688,958	-	688,958	682,348	28,306	710,654
4.2 Investment securities held in custody		69,568,685	123,344	69,692,029	63,234,788	118,086	63,352,874
4.3 Checks received for collection		9,615,457	2,213,585	11,829,042	9,151,798	2,345,788	11,497,586
4.4 Commercial notes received for collection		1,025,879	350,236	1,376,115	1,265,535	450,126	1,715,661
4.5 Other assets received for collection		2,152	115	2,267	2,152	116	2,268
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		11,468	40,746	52,214	24,796	66,158	90,954
4.8 Custodians		1,008,852	561,079	1,569,931	795,017	405,153	1,200,170
V. PLEDGED ITEMS		256,727,375	81,565,738	338,293,113	235,457,258	82,272,386	317,729,644
5.1 Securities		421,193	13,374	434,567	435,618	14,171	449,789
5.2 Guarantee notes		770,846	458,236	1,229,082	793,282	429,076	1,222,358
5.3 Commodities		30,202,552	666,251	30,868,803	28,164,121	681,732	28,845,853
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		210,680,967	67,159,206	277,840,173	191,799,623	67,309,165	259,108,788
5.6 Other pledged items		14,107,604	13,121,514	27,229,118	13,661,436	13,683,601	27,345,037
5.7 Pledged items-depository		544,213	147,157	691,370	603,178	154,641	757,819
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		647,517,272	350,126,312	997,643,584	590,290,239	336,466,247	926,756,486
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,057,459,984	507,250,180	1,564,710,164	955,207,790	486,326,117	1,441,533,907

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed Current Period 1 January 2016- 30 June 2016	Reviewed Prior Period 1 January 2015- 30 June 2015	Reviewed Current Period 1 April 2016- 30 June 2016	Reviewed Prior Period 1 April 2015- 30 June 2015
I.	INTEREST INCOME	8,036,310	6,618,599	4,016,816	3,506,308
1.1	Interest income from loans	6,704,268	5,417,205	3,440,886	2,800,077
1.2	Interest income from reserve deposits	54,942	8,144	26,349	5,958
1.3	Interest income from banks	57,785	39,573	29,153	21,560
1.4	Interest income from money market transactions	316	586	175	420
1.5	Interest income from securities portfolio	1,106,906	1,062,479	466,545	633,066
1.5.1	Trading financial assets	3,885	3,601	1,361	1,519
1.5.2	Financial assets designated at fair value through profit or loss	-	-	-	-
1.5.3	Available-for-sale financial assets	760,604	721,169	333,746	412,529
1.5.4	Held-to-maturity investments	342,417	337,709	131,438	219,018
1.6	Finance lease income	54,223	47,041	26,760	24,355
1.7	Other interest income	57,870	43,571	26,948	20,872
II.	INTEREST EXPENSE	4,802,288	3,830,375	2,404,232	2,012,784
2.1	Interest expense on deposits	3,612,320	2,820,570	1,803,151	1,475,245
2.2	Interest expense on funds borrowed	217,789	176,723	115,840	85,043
2.3	Interest expense on money market transactions	489,117	421,500	251,587	243,447
2.4	Interest expense on securities issued	318,983	276,361	161,433	142,597
2.5	Other interest expenses	164,079	135,221	72,221	66,452
III.	NET INTEREST INCOME (I – II)	3,234,022	2,788,224	1,612,584	1,493,524
IV.	NET FEES AND COMMISSIONS INCOME	407,056	424,640	193,720	207,234
4.1	Fees and commissions received	672,624	656,233	338,270	334,733
4.1.1	Non-cash loans	109,082	88,008	56,305	45,224
4.1.2	Others	563,542	568,225	281,965	289,509
4.2	Fees and commissions paid	265,568	231,593	144,550	127,499
4.2.1	Non-cash loans	745	473	409	230
4.2.2	Others	264,823	231,120	144,141	127,269
V.	DIVIDEND INCOME	61,139	10,102	22,876	106
VI.	TRADING INCOME/LOSSES (Net)	70,829	118,575	59,814	40,640
6.1	Trading account income/losses	41,014	56,248	31,514	5,320
6.2	Income/losses from derivative financial instruments	(22,006)	(3,680)	(7,405)	23,276
6.3	Foreign exchange gains/losses	51,821	66,007	35,705	12,044
VII.	OTHER OPERATING INCOME	1,076,189	972,675	585,633	487,585
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)	4,849,235	4,314,216	2,474,627	2,229,089
	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	1,011,430	1,007,090	496,785	549,355
IX.	OTHER OPERATING EXPENSES (-)	2,458,410	2,413,142	1,224,183	1,133,529
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)	1,379,395	893,984	753,659	546,205
XII.	INCOME RESULTED FROM MERGERS	-	-	-	-
	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	20,483	16,772	8,814	8,039
XIII.	GAIN/LOSS ON NET MONETARY POSITION	-	-	-	-
XIV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)	1,399,878	910,756	762,473	554,244
XV.	CONTINUING OPERATIONS PROVISION FOR TAXES	(297,308)	(248,234)	(175,150)	(125,536)
16.1	Current tax charges	(435,475)	(129,040)	(328,774)	(53,287)
16.2	Deferred tax credits	138,167	(119,194)	153,624	(72,249)
XVI.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	1,102,570	662,522	587,323	428,708
XVII.	INCOME FROM DISCONTINUED OPERATIONS	-	-	-	-
18.1	Income from investment properties	-	-	-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures	-	-	-	-
18.3	Other income from discontinued activities	-	-	-	-
XVIII.	EXPENSES FROM DISCONTINUED OPERATIONS(-)	-	-	-	-
19.1	Investment property expenses	-	-	-	-
19.2	Losses from sales of subsidiaries, affiliates and joint-ventures	-	-	-	-
19.3	Other expenses from discontinued activities	-	-	-	-
XIX.	INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	-	-	-	-
XX.	DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)	-	-	-	-
21.1	Current tax charge	-	-	-	-
21.2	Deferred tax charge	-	-	-	-
XXI.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-	-	-
XXII.	DISCONTINUED OPERATIONS (XX+XXI)	-	-	-	-
XXIII.	NET PROFIT/LOSS (XVI+XXII)	1,102,570	662,522	587,323	428,708
23.1.	Equity holders of the Bank	1,123,475	758,075	602,333	424,690
23.2.	Non-controlling interest(-)	(20,905)	(95,553)	(15,010)	4,018
	Earnings per 100 Share (full TL)	0.4410	0.2650	0.2349	0.1715

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

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

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

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

	Reviewed Current Period 1 January 2016- 30 June 2016	Reviewed Prior Period 1 January 2015- 30 June 2015	Reviewed Current Period 1 April 2016- 30 June 2016	Reviewed Prior Period 1 April 2015- 30 June 2015
GAINS AND LOSSES RECOGNIZED IN EQUITY				
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	417,979	(498,992)	177,165	(334,831)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	419	-	110	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	3,776	21,087	(2,308)	24,903
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	(24,966)	(9,638)	3,744	(909)
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(90,799)	99,295	(43,947)	65,288
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	306,409	(388,248)	134,764	(245,549)
XI. CURRENT PERIOD'S PROFIT/(LOSS)	1,102,570	662,522	587,323	428,708
11.1 Change in fair value of securities (transfers to the statement of income)	31,216	50,885	25,823	3,822
11.2 Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-	-	-	-
11.3 Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-	-	-	-
11.4 Others	1,071,354	611,637	561,500	424,886
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	1,408,979	274,274	722,087	183,159

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD – 30 June 2015																			
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,069,245	6,337	7,346,127	372,881	-	1,805,677	521,530	52,864	3,683	-	-	14,474,439	486,084	14,960,523
II.	Corrections made according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I+II)	2,500,000	-	727,780	-	1,069,245	6,337	7,346,127	372,881	-	1,805,677	521,530	52,864	3,683	-	-	14,474,439	486,084	14,960,523
Changes during the period																			
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	(396,812)	-	-	-	-	(396,812)	(792)	(397,604)
VI.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation surplus on intangible as	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences	-	-	-	-	-	-	-	18,978	-	-	-	-	-	-	-	18,978	2,109	21,087
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	(8,804)	-	-	-	-	(8,804)	-	(8,804)
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	(2,072)	-	-	-	-	-	-	-	(2,072)	(855)	(2,927)
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	758,075	-	-	-	-	-	-	758,075	(95,553)	662,522
XX.	Profit distribution	-	-	-	-	166,909	-	1,133,895	142,559	-	(1,805,677)	-	235,430	-	-	-	(100,000)	(1,513)	(101,513)
20.1	Dividends	-	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	(100,000)	(1,513)	(101,513)
20.2	Transferred to reserves	-	-	-	-	166,909	-	1,133,895	142,559	-	(1,705,677)	-	235,430	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period		2,500,000	-	727,780	-	1,236,154	6,337	8,480,022	532,346	758,075	-	115,914	288,294	3,683	-	-	14,743,804	389,480	15,133,284

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 Cancellation Profits	Legal Reserves	Status Reserves	Extra-ordinary Reserves	Other Profit Reserves	Current Year's Net Profit/(Loss)	Prior Period's 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 Shares	Non-controlling Interest	Total Shareholders' Equity
Current Period – 30 June 2016																			
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,236,166	6,337	8,480,048	556,741	-	2,015,941	30,011	940,657	3,683	-	-	16,497,364	505,391	17,002,755
	Changes during the period																		
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	321,774	-	-	-	-	321,774	1,511	323,285
IV.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	433	-	(11)	-	-	-	422	325	747
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	-	-	-	3,398	-	-	-	-	-	-	-	3,398	378	3,776
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Group's equity	-	-	-	-	-	-	-	-	-	(25,031)	4,444	-	-	-	-	(20,587)	-	(20,587)
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	-	-	-	-	-	-	-	(125)	-	(694)	-	-	-	-	-	(819)	7	(812)
XVII.	Current period's net profit/loss	-	-	-	-	-	-	-	-	1,123,475	-	-	-	-	-	-	1,123,475	(20,905)	1,102,570
XVIII.	Profit distribution	-	-	-	-	197,142	-	1,683,921	(4,239)	-	(2,007,488)	-	23,443	-	-	-	(107,221)	(327)	(107,548)
18.1	Dividends	-	-	-	-	-	-	-	-	-	(107,221)	-	-	-	-	-	(107,221)	(327)	(107,548)
18.2	Transferred to reserves	-	-	-	-	197,142	-	1,683,921	(4,239)	-	(1,900,267)	-	23,443	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period	2,500,000	-	727,780	-	1,433,308	6,337	10,163,969	555,775	1,123,475	(16,839)	356,229	964,089	3,683	-	-	17,817,806	486,380	18,304,186

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

	Notes	Reviewed Current Period 30 June 2016	Reviewed Prior Period 30 June 2015
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	2,092,675	1,246,434
1.1.1	Interests received	7,758,751	6,132,819
1.1.2	Interests paid	(4,706,102)	(3,718,684)
1.1.3	Dividends received	10,563	5,483
1.1.4	Fee and commissions received	672,624	656,233
1.1.5	Other income	615,563	484,820
1.1.6	Collections from previously written-off loans and other receivables	517,775	444,283
1.1.7	Payments to personnel and service suppliers	(914,659)	(786,410)
1.1.8	Taxes paid	(396,593)	(415,005)
1.1.9	Other	(1,465,247)	(1,557,105)
1.2	Changes in operating assets and liabilities	(2,075,527)	(3,861,644)
1.2.1	Net (increase) decrease in financial assets held for trading purpose	16,252	24,466
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(2,389,693)	(1,690,691)
1.2.4	Net (increase) decrease in loans	(7,335,297)	(15,105,495)
1.2.5	Net (increase) decrease in other assets	194,194	113,903
1.2.6	Net increase (decrease) in bank deposits	1,149,105	(36,130)
1.2.7	Net increase (decrease) in other deposits	2,630,074	8,871,359
1.2.8	Net increase (decrease) in funds borrowed	(121,484)	1,573,831
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	3,781,322	2,387,113
I.	Net cash flow from banking operations	17,148	(2,615,210)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	78,772	(674,120)
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	Cash paid for purchase of tangible assets	(121,379)	(84,592)
2.4	Proceeds from disposal of tangible assets	212,808	40,497
2.5	Cash paid for purchase of available-for-sale financial assets	(2,351,542)	(3,133,520)
2.6	Proceeds from disposal of available-for-sale financial assets	2,301,021	2,621,628
2.7	Cash paid for purchase of held-to-maturity investments	(1,042,305)	(509,494)
2.8	Proceeds from disposal of held-to-maturity investments	1,105,605	418,167
2.9	Other	(25,436)	(26,806)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities	1,134,086	2,884,817
3.1	Cash obtained from funds borrowed and securities issued	5,230,715	6,549,257
3.2	Cash used for repayment of funds borrowed and securities issued	(3,996,302)	(3,562,927)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(100,327)	(101,513)
3.5	Repayments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	15,483	(32,116)
V.	Net (decrease) / increase in cash and cash equivalents	1,245,489	(436,629)
VI.	Cash and cash equivalents at the beginning of the period	9,057,127	9,190,905
VII.	Cash and cash equivalents at the end of the period	10,302,616	8,754,276

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated 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” “TAS”) (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated 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 Group’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 Parent Bank. The Group assesses the impact of TFRS 9 Financial Instruments standard.

Additional paragraph for convenience translation to English

The effects or differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

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

Strategy for the use of financial instruments

The Parent Bank’s core operations 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 Parent Bank intensively utilizes financial instruments. The Parent Bank accepts deposits consisting various maturities as the main source of funding with deposits being in high return as well as carefully utilizing them in high quality financial activities.

The most important fund sources of the Parent Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The Parent 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 Parent Bank attaches 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 the liquidity risk, exchange rate risk and credit risk within reasonable limits; while enhancing profitability and strengthening the Parent Bank’s 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 Parent 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 Parent 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 Parent Bank. Monetary assets and liabilities denominated in foreign currencies at the balance sheet, are translated into Turkish Lira by using the foreign exchange rates effective at the balance sheet date. 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, net foreign operations are reported as translated into TL by the rates prevailing at the date of the determination of the fair value.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

III. INFORMATION ON ASSOCIATES THAT ARE CONSOLIDATED AND SUBSIDIARIES THAT ARE ACCOUNTED ACCORDING TO EQUITY METHOD

Consolidated subsidiaries

As at and for the six-month ended 30 June 2016, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Faktoring A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Portföy Yönetimi A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. have been included in the consolidated financial statements of the Group.

Vakıfbank International AG, was established in 1999 to operate in the banking sector in foreign countries, in line with the Bank’s globalization policy. Its head office is in Vienna.

Vakıf Finansal Kiralama A.Ş., was established in 1988 to enter into finance lease operations and related transactions and contracts. Its head office is in Istanbul.

Güneş Sigorta A.Ş. was established under the leadership of the Bank and Toprak Mahsulleri Ofisi (TMO) in 1957. The Company has been operating in nearly all non-life insurance branches like fire, accident, transportation, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

Vakıf Emeklilik A.Ş. was established under the name Güneş Hayat Sigorta A.Ş. in 1991. In 2003 the Company has taken conversion permission from Republic of Turkey Undersecretariat of Treasury and started to operate in private pension system. Its head office is in Istanbul.

Vakıf Faktoring A.Ş. was established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

Vakıf Yatırım Menkul Değerler A.Ş. was established in 1996 to provide service to investors through making capital market transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase (repo) and sales (reverse repo) of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

Vakıf Portföy Yönetimi A.Ş. operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company’s main operation is in line with the scope in the Capital Markets Board’s regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Istanbul.

Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. was established in 1991 in Istanbul. The main operation of the Company is to invest on a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

III. INFORMATION ON ASSOCIATES THAT ARE CONSOLIDATED AND SUBSIDIARIES THAT ARE ACCOUNTED ACCORDING TO EQUITY METHOD (Continued)

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., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at 30 June 2016 and 31 December 2015 but until the liquidation decision date its accumulated previous years’ loss has been included in the accompanying consolidated financial statements.

The liquidation process of World Vakıf Off UBB Ltd., an associate of the Parent 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. Thus, the company’s name has been changed as “World Vakıf UBB Ltd. in Liquidation”.

As per the resolution of the Board of Directors of the Parent Bank held on 8 September 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş. with Vakıf Pazarlama Ticaret A.Ş. with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş. without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret A.Ş. is not a financial subsidiary anymore, its financial statements have not been consolidated as at 30 June 2016 and 31 December 2015, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the six-month period ended 30 June 2016, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası A.Ş. have been consolidated per equity method in the consolidated financial statements of the Group.

Kıbrıs Vakıflar Bankası Ltd. was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

Türkiye Sınai Kalkınma Bankası A.Ş. was established in 1950 to support investments in all economic sectors. Its head office is in Istanbul.

In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries are different than those of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at the related reporting dates. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions of the Group mainly consist of currency and interest rate swaps, precious metal swaps, foreign currency forward contracts and currency options. The Group has classified its derivative transactions as “trading purpose derivatives” 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.

Subsequently, the derivative transactions are measured at their fair values and the changes in fair values are recorded in the balance sheet under “Derivative financial assets held for trading purpose” or “Derivative financial liabilities held for trading purpose”. The subsequent fair value changes of derivative transactions is recorded in the consolidated statement of income.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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.

Finance leasing activities

The total of minimum rent amounts are recorded at finance lease receivables account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at unearned income account. As the rents are collected, finance lease receivables account is decreased by the rent amount; and the interest component is recorded in the consolidated statement of income as interest income.

Factoring operations

Factoring receivables are initially recorded at their historical costs less transaction costs. They are amortized using the effective interest method, taking their historical costs and future cash flows into account and the amortized amounts are recognized as "other interest income" in the consolidated statement of income.

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable 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 while 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 divided into two separate titles as "Financial assets held for trading" and "Financial assets classified as financial assets at fair value through profit or loss".

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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets classified as financial assets at fair value through profit or loss are financial assets which are not acquired for trading, however during initial recognition classified as financial assets at fair value through profit or loss including transaction costs. Such an asset is not present in the Group’s portfolio.

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

Available-for-sale financial assets

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

Held to maturity investments

Held to maturity investments are the financial assets with fixed maturities and pre-determined payment schedules that the Group has the intent and ability to hold until maturity, excluding loans and receivables.

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 Group 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 and receivables are initially recognized with their purchase and carried at their amortized costs using the effective interest method at the subsequent recognition.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements (“repo”) are classified under “held for trading purpose”, “available for sale” and/or “held-to-maturity” portfolios according to their holding purposes in the Group’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 “Receivables from Money Markets” 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.

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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 Group’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, the Group has no goodwill.

The Group’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 on their restated costs based on straight line amortization.

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before 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 Group 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 is 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 recognized as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

Depreciation rates of tangible assets and estimated useful lives are:

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON INVESTMENT PROPERTIES

Investment property is a property held either to earn rental income or for capital appreciation or for both. Group holds investment property with respect to the consolidated real estate investment and insurance firms’ activities.

Investment properties are initially recorded at their acquisition costs including transaction costs.

Investment properties, following the initial recording, are measured by acquisition cost method (deducting accumulated depreciation and if it is present, provisions for impairment from acquisition cost).

XV. 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 rent amounts at the beginning of the finance leasing activities are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

Operational leases

Operational leasing is defined as activities except from financial leasing. Operational leasing payments are recognized in equal payments as expense under income statement during the leasing period.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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 Group 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 Group. 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 Group discloses the contingent asset.

XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

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

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

As at 30 June 2016 and 31 December 2015, the major actuarial assumptions used in the calculation of the total liability are as follows:

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

Other benefits to employees

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

The Group has provided provision for vacation that employees did not use until the relevant accounting period.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

**XVII. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS
(Continued)**

Pension fund

The employees of the Parent 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 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 (the Banks) 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 Institution.

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 regarding 31 December 2015 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at 30 June 2016.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XVIII. 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)

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

North Iraq (Erbil)

The Parent Bank’s branch that is operating in Erbil 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)

The Parent Bank’s branch that is operating in New York is taxable according to state law legislation and country law legislation. Double Tax Treaty Agreements is stated for being taxed in Turkey.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON TAXATION (Continued)

Banking and Insurance Transaction Tax

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

Deferred taxes

According to the TAS 12 - Income Taxes; deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

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

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

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

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

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with 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.

XIX. INFORMATION ON CASH AND CASH EQUIVALENT

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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XX. ADDITIONAL INFORMATION ON BORROWINGS

The Parent Bank obtains funding resources such as syndication and securitization transactions in case of need. In the current period, the Parent Bank has started to obtain funds through domestic and international bonds and bills. The Parent 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 group is not hedging about debt instruments.

XXI. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the Parent 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.

XXII. 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.

XXIII. INFORMATION ON GOVERNMENT INCENTIVES

As at 30 June 2016, Vakıf Finansal Kiralama A.Ş., a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 218,662 (31 December 2015: TL 220,278).

XXIV. 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 which is disclosed in Section 4 Note VII.

XXV. OTHER MATTERS

Earnings per shares

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

As at and for the six-month period ended 30 June 2016, earnings per 100 shares are full TL 0.4410 (30 June 2015: full TL 0.2650).

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XXV. OTHER MATTERS (Continued)

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.

Insurance operations

Written Premiums: Written premiums represent premiums on policies written during the year net of taxes and premiums of the cancelled policies produced in previous years. Written premiums, after deduction of premiums ceded to reinsurance companies are recorded under other operating income in the accompanying consolidated statement of income.

Reserve for unearned premiums: Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the balance sheet date, without deductions of commission or any other expense. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long-term insurance contracts. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Reserve for outstanding claims: Accounts for outstanding claim reserve for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim reserves, claim recoveries, salvage and similar gains are not deducted. The difference between the outstanding claim reserve that is accrued and determined on account and the amount that is calculated by using the actuarial chain ladder method, of which the content and implementation fundamentals are determined on the Legislation for Technical Provision and the "Circular on Outstanding Claim Reserve" numbered. 2014/16 and dated 5 December 2014 and is effective from 1 January 2015, is accounted as incurred but not reported claims reserve. The calculation of incurred but not reported outstanding claim reserve considering best estimations of the Company’s actuary has been calculated in the line with the related regulation.

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions and profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Under secretariat of Treasury, which are applicable for Turkish insurance companies. Mathematical provision also includes the saving portion of the provisions for saving life product.

Profit sharing reserves are the reserves provided against income obtained from asset backing saving life insurance contracts. These contracts entitle the beneficiaries of those contracts to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date.

Mathematical provisions are presented under “insurance technical provisions” in the accompanying consolidated financial statements.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

ACCOUNTING POLICIES (Continued)

XXV. OTHER MATTERS (Continued)

Deferred acquisition cost and deferred commission income: Commissions given to the intermediaries and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalized as deferred acquisition cost. Deferred acquisition costs are amortized on a straight-line basis over the life of the contracts. Commission income obtained from the premiums ceded to reinsurance firms are also deferred and amortized on a straight-line basis over the life of the contracts.

Liability adequacy test: At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing this test, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision under “insurance technical provisions” in the accompanying consolidated financial statements.

If the result of the test is that a loss is required to be recognized, the first step is to reduce any intangible item arising from business combinations related to insurance. If there is still a loss remaining, then the deferred acquisition cost is reduced to the extent that expense loadings are considered not recoverable. Finally, if there is a still remaining amount of loss, this should be booked as an addition to the reserve for premium deficiency.

Individual pension business

Individual pension system receivables presented under ‘other assets’ in the accompanying consolidated financial statements consists of ‘receivables from the clearing house on behalf of the participants’. Pension funds are the mutual funds that the individual pension companies invest in, by the contributions of the participants. Shares of the participants are kept at the clearing house on behalf of the participants.

‘Receivables from the clearing house on behalf of the participants’ is the receivable from the clearing house on pension fund basis against the contributions of the participants. The same amount is also recorded as payables to participants for the funds acquired against their contributions under the ‘individual pension system payables’.

In addition to the ‘payables to participants’ account, mentioned in the previous paragraph, individual pension system payables also includes participants’ temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested. Individual pension system payables are presented under other liabilities and provisions in the accompanying consolidated financial statements.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees. Fees received from individual pension business are recognized in other income in the accompanying consolidated statement of comprehensive income.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to “Regulation on Bank’s Capital Adequacy Assessment of the Measurement“, “Communique on Credit Risk Mitigation“, “BRSA Regulation on Bank’s Shareholder Equity“, “Regulations on Systemically Important Banks“, “Regulation on Capital Conservation and Cyclical Capital Buffer“. As of 30 June 2016 Group’s capital adequacy ratio is 14.16% (31 December 2015: 14.21%).

Information about the consolidated shareholder equity items

	Current Period 30.06.2016	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	727,780	
Reserves	12,213,902	
Income recognized under equity in accordance with TAS	1,320,318	
Profit	1,106,636	
Current Period’s Profit	1,123,475	
Prior Period’s Profit	(16,839)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	3,683	
Minority shares	479,749	
Common Equity Tier 1 Capital Before Deductions	18,352,068	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	54,513	-
Leasehold Improvements on Operational Leases	107,246	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	131,198	218,663
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	292,957	
Common Equity Tier 1 capital (CET1)	18,059,111	

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period 30.06.2016	Amount as per the regulation before 1/1/2014(*)
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	87,465	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	17,971,646	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	2,407,153	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	971,660	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,631	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,785,897	-
Tier 2 Capital Before Deductions	4,199,681	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,199,681	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	22,171,327	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	129,404	-
Other items to be defined by the BRSA (-)	670	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Current Period 30.06.2016	Amount as per the regulation before 1/1/2014(*)
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	22,041,253	-
Total Risk Weighted Amounts	155,683,569	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.60	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.54	-
Consolidated Capital Adequacy Ratio (%)	14.16	-
BUFFERS		
Total buffer requirement	0.88	-
Capital conservation buffer requirement (%)	0.63	-
Bank specific counter-cyclical buffer requirement (%)	0.25	-
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 (%)	7.10	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,086,384	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,785,897	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to consolidated capital adequacy ratio

	Prior Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	11,200,599
Capital Requirement for Market Risk (MRCR)	116,352
Capital Requirement for Operational Risk (ORCR) (*)	876,010
Shareholders' Equity	21,651,824
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	14.21
Tier I Capital/((CRCR+MRCR+ORCR) *12.5)*100	10.95
Common Equity Tier I Capital/((CRCR+MRCR+ORCR)*12.5)*100	11.03

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Information about the consolidated shareholder equity items

	Prior Period
COMMON EQUITY TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000
Share Premium	727,780
Share Cancellation Profits	-
Reserves	10,333,662
Other Comprehensive Income according to TAS	970,668
Profit	2,015,941
Current Period Profit	1,948,588
Previous Period Profit	67,353
General Reserves for Possible Losses	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period’s Profit	3,683
Minority Shares	500,271
Common Equity Tier I Capital Before Deductions	17,052,005
Deductions from Common Equity Tier I Capital	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	54,370
Leasehold Improvements on Operational Leases(-)	106,676
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	80,615
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital not deducted from Tier I Capital(-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-
Total Deductions from Common Equity Tier I Capital	241,661
Total Common Equity Tier I Capital	16,810,344
ADDITIONAL CORE CAPITAL	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 01.01.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 01.01.2014)	-
Shares in the Additional Core Capital of Third Parties	-
Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more of 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
The amount to be deducted from Additional Tier I Capital (-)	-

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Prior Period
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
Deductions from Core Capital	-
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 (-)	120,922
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Total Core Capital	16,689,422
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	1,450,446
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	1,895,553
Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases	-
General Provisions	1,750,094
Shares in the capital contribution of third parties	5,120
Tier II Capital before Deductions	5,101,213
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	5,101,213
CAPITAL	21,790,635
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	138,557
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	254
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
EQUITY	21,651,824
Amounts lower than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	139,185

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Information about the debt instruments included in the consolidated equity calculation:

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-2-31.1 BRSA regulation on bank’s shareholder equity
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2,407
Par value of instrument	4,018
Accounting classification	347011-Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: 1 November 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: 3 February 2025
Issue date	XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 not available. XS1175854923/ US90015WAC73 early call date at 3 February 2020 is available.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 not available. XS1175854923/ US90015WAC73 only one call option is available.
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed/Interest payment once in six month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks’ shareholders’ equity law that are not possessed	Not Possess Article 7

Reconciliation of capital items to balance sheet:

	30 June 2016
Shareholders’ equity	18,304,186
Leasehold improvements on operational leases	(107,246)
Goodwill and intangible assets	(131,198)
General provision (1.25% of the amount that subject to credit risk)	1,785,897
Subordinated debt	2,407,153
Deductions from shareholders’ equity	(217,539)
Capital	22,041,253

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Parent Bank is exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Parent Bank for the positions 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 Parent Bank.

The Parent Bank’s and all consolidated financial subsidiaries’ foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the consolidated 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. The capital obligation is calculated at that amount.

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

As at 30 June 2016 and 31 December 2015, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy of the Parent 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 Parent Bank has established a foreign currency risk management policy that enables the Group to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Parent Bank.

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period	Euro	US Dollar	Other FC	Total
Assets:				
Cash and balances with the Central Bank of Republic of Turkey	3,171,715	14,403,202	5,040,383	22,615,300
Banks	528,588	3,947,550	132,772	4,608,910
Financial assets at fair value through profit or loss ⁽¹⁾	4,685	172,944	-	177,629
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,278,623	4,140,214	-	5,418,837
Loans and receivables ⁽²⁾	15,442,433	27,002,310	68,428	42,513,171
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	158,447	-	158,447
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	964	6,612	-	7,576
Intangible assets	23	-	-	23
Other assets ⁽³⁾⁽⁴⁾	1,013,128	1,114,783	358	2,128,269
Total assets	21,440,162	50,946,062	5,241,941	77,628,165
Liabilities:				
Bank deposits	445,650	2,777,927	67,475	3,291,052
Foreign currency deposits	13,616,632	17,994,941	685,132	32,296,705
Interbank money market takings	-	1,860,413	-	1,860,413
Funds borrowed	8,315,775	10,352,396	-	18,668,171
Securities issued	3,593,394	5,261,933	-	8,855,327
Miscellaneous payables	366,232	126,618	16,306	509,156
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽¹⁾⁽⁴⁾⁽⁵⁾	101,729	5,869,143	145	5,971,017
Total liabilities	26,439,412	44,243,371	769,058	71,451,841
Net ‘on balance sheet’ position	(4,999,250)	6,702,691	4,472,883	6,176,324
Net ‘off-balance sheet’ position	5,393,926	(4,725,277)	(4,457,453)	(3,788,804)
Derivative assets ⁽⁶⁾	8,515,712	15,010,610	1,146,947	24,673,269
Derivative liabilities ⁽⁶⁾	3,121,786	19,735,887	5,604,400	28,462,073
Non-cash loans ⁽⁷⁾	3,125,207	6,924,484	294,021	10,343,712
Prior Period	Euro	US Dollar	Other FC	Total
Total assets	19,692,433	49,208,308	4,456,999	73,357,740
Total liabilities	24,672,940	47,245,439	866,994	72,785,373
Net ‘on balance sheet’ position	(4,980,507)	1,962,869	3,590,005	572,367
Net ‘off-balance sheet’ position	5,576,216	(670,154)	(3,577,895)	1,328,167
Derivative assets ⁽⁶⁾	7,738,067	12,701,193	2,036,853	22,476,113
Derivative liabilities ⁽⁶⁾	2,161,851	13,371,347	5,614,748	21,147,946
Non-cash loans ⁽⁷⁾	3,015,389	7,731,618	246,531	10,993,538

(1) Derivative financial assets amounting to TL 441 (31 December 2015: TL (51,275)) and liabilities amounting to TL 247,299 (31 December 2015: TL (11,791)) resulting from changes in foreign exchange rates are not included.

(2) Foreign currency indexed loans amounting to TL 3,747,687 (31 December 2015: TL 3,555,465) presented in TL in the financial statements are included in the above table.

(3) Foreign currency indexed factoring receivables amounted to TL 86,527 (31 December 2015: TL 67,225) presented in TL column in the accompanying consolidated balance sheet are included.

(4) Prepaid expenses amounting to TL 67,594 (31 December 2015: TL 66,010) are not included.

(5) Unearned income amounting to TL 127,082 (31 December 2015: TL 110,576), deferred tax liabilities amounted to TL 11,191 (31 December 2015: 6,210) and equity amounting to TL 614,738 TL (31 December 2015: TL 565,299) are not included.

(6) Asset purchase commitments amounting to TL 2,669,457 (31 December 2015: TL 1,835,888), asset sales commitments amounting to TL 1,706,402 (31 December 2015: TL 1,895,065) are included.

(7) Non-cash loans are not taken into consideration in the calculation of the net ‘off-balance sheet’ position.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the six-month period ended 30 June 2016 and 2015 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	30 June 2016		30 June 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	197,741	197,741	46,741	46,741
Euro	39,468	81,155	(2,159)	36,970
Other currencies	1,543	1,543	661	661
Total, net (**)	238,752	280,439	45,243	84,372

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

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

10 percent appreciation of the TL against the following currencies as at and for the six-month period ended 30 June 2016 and 2015 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	30 June 2016		30 June 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(196,673)	(196,673)	(45,275)	(45,275)
Euro	(39,468)	(81,155)	2,159	(36,970)
Other currencies	(1,543)	(1,543)	(535)	(535)
Total, net (**)	(237,684)	(279,371)	(43,651)	(82,780)

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED 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.

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

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

Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	15,835,517	-	-	-	-	9,969,393	25,804,910
Banks	4,324,193	365,440	-	-	-	808,877	5,498,510
Financial assets at fair value through profit/loss	357,550	339,497	37,321	135,578	138,896	68,816	1,077,658
Interbank money market placements	3,797	2,011	-	-	-	-	5,808
Available-for-sale financial assets	1,846,718	2,621,481	5,082,582	4,934,777	3,336,269	22,427	17,844,254
Loans and receivables	42,945,286	13,773,109	43,214,862	20,748,212	10,298,468	1,049,550	132,029,487
Held-to-maturity investments	747,652	1,827,818	3,644,607	1,294,252	231,866	-	7,746,195
Other assets (*)	113,139	249,412	418,593	1,192,025	215,457	7,999,948	10,188,574
Total assets	66,173,852	19,178,768	52,397,965	28,304,844	14,220,956	19,919,011	200,195,396
<i>Liabilities:</i>							
Bank deposits	5,053,368	849,831	322,253	-	-	349,556	6,575,008
Other deposits	60,037,566	20,522,155	5,715,307	804,641	13,895	22,294,926	109,388,490
Interbank money market takings	15,333,475	19,048	-	448,480	64,736	-	15,865,739
Miscellaneous payables	-	-	-	-	-	4,680,971	4,680,971
Securities issued	1,578,554	1,617,177	2,590,569	6,128,323	-	-	11,914,623
Funds borrowed	3,710,177	7,705,013	5,978,385	1,601,227	1,117,875	-	20,112,677
Other liabilities (**)	269,066	79,793	208,731	1,097,728	3,196,963	26,805,607	31,657,888
Total liabilities	85,982,206	30,793,017	14,815,245	10,080,399	4,393,469	54,131,060	200,195,396
On balance sheet long position	-	-	37,582,720	18,224,445	9,827,487	-	65,634,652
On balance sheet short position	(19,808,354)	(11,614,249)	-	-	-	(34,212,049)	(65,634,652)
Off-balance sheet long position	1,352,454	2,447,158	-	-	-	-	3,799,612
Off-balance sheet short position	-	-	(279,040)	(2,450,876)	(532,800)	-	(3,262,716)
Net position	(18,455,900)	(9,167,091)	37,303,680	15,773,569	9,294,687	(34,212,049)	536,896

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	12,781,090	-	-	-	-	8,708,824	21,489,914
Banks	5,475,827	194,049	61,644	-	-	444,499	6,176,019
Financial assets at fair value through profit/loss	391,852	421,683	6,030	87,765	73,042	15,490	995,862
Interbank money market placements	6,699	-	-	-	-	-	6,699
Available-for-sale financial assets	2,388,751	2,496,529	4,703,040	5,237,102	2,431,436	79,253	17,336,111
Loans and receivables	42,202,253	26,571,644	26,825,084	19,169,977	10,281,787	908,934	125,959,679
Held-to-maturity investments	1,010,446	1,774,694	3,360,520	1,301,192	230,877	-	7,677,729
Other assets ^(*)	104,786	295,650	311,063	1,119,520	227,377	7,885,149	9,943,545
Total assets	64,361,704	31,754,249	35,267,381	26,915,556	13,244,519	18,042,149	189,585,558
<i>Liabilities:</i>							
Bank deposits	4,477,914	555,665	151,903	-	-	392,993	5,578,475
Other deposits	58,747,568	19,744,450	7,262,399	777,354	16,558	19,883,193	106,431,522
Interbank money market takings	11,216,171	1,148,950	-	397,450	64,627	-	12,827,198
Miscellaneous payables	-	-	-	-	-	4,397,761	4,397,761
Securities issued	1,179,387	1,235,096	2,244,042	5,988,183	-	-	10,646,708
Funds borrowed	3,683,934	7,684,616	5,500,813	929,920	2,395,764	-	20,195,047
Other liabilities ^(**)	45,764	92,326	245,280	903,262	3,176,408	25,045,807	29,508,847
Total liabilities	79,350,738	30,461,103	15,404,437	8,996,169	5,653,357	49,719,754	189,585,558
On balance sheet long position	-	1,293,146	19,862,944	17,919,387	7,591,162	-	46,666,639
On balance sheet short position	(14,989,034)	-	-	-	-	(31,677,605)	(46,666,639)
Off-balance sheet long position	1,207,068	2,297,615	-	-	-	-	3,504,683
Off-balance sheet short position	-	-	(315,011)	(1,725,656)	(902,100)	-	(2,942,767)
Net position	(13,781,966)	3,590,761	19,547,933	16,193,731	6,689,062	(31,677,605)	561,916

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	0.49	-	3.21
Banks	0.3	0.59	-	12.79
Financial assets at fair value through profit/loss	5.91	11.83	-	11.27
Interbank money market placements	-	-	-	10.23
Available-for-sale financial assets	4.22	6.29	-	9.38
Loans and receivables	4.10	5.27	-	12.40
Held-to-maturity investments	-	2.38	-	9.41
<i>Liabilities:</i>				
Bank deposits	0.42	0.65	-	11.76
Other deposits	1.50	2.26	-	10.19
Interbank money market takings	-	0.75	-	8.33
Miscellaneous payables	-	-	-	-
Securities issued	2.66	4.38	-	10.50
Funds borrowed	1.08	2.06	-	11.62
<hr/>				
Prior Period	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	0.49	-	3.81
Banks	0.22	0.36	-	12.38
Financial assets at fair value through profit/loss	5.50	11.78	-	11.39
Interbank money market placements	-	-	-	11.65
Available-for-sale financial assets	4.43	6.70	-	9.69
Loans and receivables	3.77	4.69	-	12.10
Held-to-maturity investments	-	3.59	-	10.02
<i>Liabilities:</i>				
Bank deposits	3.99	0.67	-	13.07
Other deposits	1.73	2.07	-	10.77
Interbank money market takings	-	1.08	-	8.46
Miscellaneous payables	-	-	-	-
Securities issued	2.72	4.44	0.93	10.93
Funds borrowed	1.07	1.87	-	11.83

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items:

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

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

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

Current Period	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	252,428	252,428	252,428
1.Stocks Investments Group A	252,428	252,428	252,428
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	355,636	271,538	-

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

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

Prior Period	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	233,212	233,212	233,212
1.Stocks Investments Group A	233,212	233,212	233,212
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	412,393	271,913	-

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK (Continued)

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

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

Portfolio-Current Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Core Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	38,301	38,301	-	-	-
4. Total	-	38,301	38,301	-	-	-

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

Portfolio-Prior Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Core Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	118,580	118,580	-	-	-
4. Total	-	118,580	118,580	-	-	-

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	252,428	252,428	20,194
3.Other Stocks	355,636	355,636	28,451
4. Total	608,064	608,064	48,645

Portfolio-Prior Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	233,212	233,212	18,657
3.Other Stocks	412,393	412,393	32,991
4. Total	645,605	645,605	51,648

V. CONSOLIDATED 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 Parent 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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.

In addition to the structure described concerning the Parent Bank's liquidity risk management, various systems and processes are also available subsidiaries and associates. These systems and processes are designed in a way compatible with the generally accepted approach concerning liquidation risk management and legal regulations that each subsidiary and associate is subject to be. Besides the established structures and arrangements are able to execute liquidation risk management of subsidiaries and associates effectively within the organization, it is expected that these established structures and arrangements are also contribute to the integrated liquidity risk management structure with the Parent Bank’s all associates.

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

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

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

It is taken as a basis that the Bank consistently monitors TL and FC liquidity positions and funding strategies. Necessary precautions are taken in line with liquidity needs by following stress circumstances. “Liquidity Emergency Action Plan” which is an important part of liquidity risk management of the 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 the 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 and total liquidity coverage ratio 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	April	100.84	June	154.53
The highest value	May	119.05	May	191.87

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Liquidity Coverage Ratio

Current Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			28,284,294	19880823
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	52,618,057	18,556,217	4,408,367	1,855,622
3	Stable deposits	17,068,767	-	853,438	-
4	Less stable deposits	35,549,290	18,556,217	3,554,929	1,855,622
5	Unsecured wholesale funding, of which:	49,420,716	13,719,050	23,909,076	8,249,482
6	Operational deposits	9,464,357	3,639,532	9,661,300	2,100,254
7	Non-operational deposits	32,777,244	8,037,803	7,677,454	4,143,194
8	Unsecured debt	7,179,115	2,041,715	6,570,322	2,006,034
9	Secured wholesale funding			-	-
10	Additional requirements of which:	17,119,663	14,483,375	17,119,663	14,483,374
11	Outflows related to derivative exposures and other collateral requirements	17,119,663	14,483,375	17,119,663	14,483,374
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	13,854,973	13,375,687	692,749	668,784
15	Other contingent funding obligations	43,276,125	12,519,475	6,948,498	1,686,720
16	TOTAL CASH OUTFLOWS			53,078,353	26,943,982
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	14,620,416	7,673,470	11,109,808	7,056,784
19	Other cash inflows	15,702,551	8,253,978	15,702,551	8,253,978
20	TOTAL CASH INFLOWS	30,322,967	15,927,448	26,812,359	15,310,762
				Upper Limit Applied Values	
21	TOTAL HQLA			28,284,294	19,880,823
22	TOTAL NET CASH OUTFLOWS			26,265,994	11,633,220
23	LIQUIDITY COVERAGE RATIO (%)			108.11	172.44

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Prior Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			28,842,274	19,291,743
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	47,209,327	17,527,659	3,750,130	1,526,493
3	Stable deposits	19,416,047	4,525,463	970,802	226,273
4	Less stable deposits	27,793,280	13,002,196	2,779,328	1,300,220
5	Unsecured wholesale funding, of which:	47,583,503	13,101,636	24,148,735	8,946,020
6	Operational deposits	8,708,614	2,794,066	9,579,078	2,220,567
7	Non-operational deposits	31,958,453	8,125,734	7,947,240	4,566,970
8	Unsecured debt	6,916,436	2,181,836	6,622,417	2,158,483
9	Secured wholesale funding			-	-
10	Additional requirements of which:	11,935,341	10,289,600	11,935,341	10,289,599
11	Outflows related to derivative exposures and other collateral requirements	11,935,341	10,289,600	11,935,341	10,289,599
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	12,634,258	12,132,366	631,713	606,618
15	Other contingent funding obligations	41,024,707	12,600,559	6,462,091	1,660,257
16	TOTAL CASH OUTFLOWS			46,928,010	23,028,987
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	12,252,177	5,859,220	8,755,145	5,156,973
19	Other cash inflows	10,114,577	7,424,636	10,114,577	7,424,636
20	TOTAL CASH INFLOWS	22,366,754	13,283,856	18,869,722	12,581,609
				Upper Limit Applied Values	
21	TOTAL HQLA			28,842,274	19,291,743
22	TOTAL NET CASH OUTFLOWS			28,058,288	10,447,378
23	LIQUIDITY COVERAGE RATIO (%)			102.79	184.66

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

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

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

Whereas the Group’s 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed(*)	Total
<i>Assets:</i>								
Cash and balance with CBRT	25,804,910	-	-	-	-	-	-	25,804,910
Banks	4,353,865	779,205	365,440	-	-	-	-	5,498,510
Financial assets at fair value through profit/loss	1,297	157,117	120,575	260,292	394,923	138,896	4,558	1,077,658
Interbank money market placements	-	3,797	2,011	-	-	-	-	5,808
Available-for-sale financial assets	-	114,153	1,000,247	2,021,680	8,654,628	6,031,119	22,427	17,844,254
Loans and receivables	114,946	12,406,717	4,387,503	26,137,033	55,570,160	32,362,274	1,050,854	132,029,487
Held-to-maturity investments	-	158,447	-	589,204	3,408,757	3,589,787	-	7,746,195
Other assets	6,265	1,269,358	330,805	538,557	1,445,994	215,457	6,382,138	10,188,574
Total assets	30,281,283	14,888,794	6,206,581	29,546,766	69,474,462	42,337,533	7,459,977	200,195,396
<i>Liabilities:</i>								
Bank deposits	349,556	5,053,368	849,831	322,253	-	-	-	6,575,008
Other deposits	22,686,366	59,715,341	20,359,540	5,671,395	936,643	19,205	-	109,388,490
Funds borrowed	-	715,119	3,791,028	7,197,202	3,439,718	4,969,610	-	20,112,677
Interbank money market takings	-	15,333,475	19,048	-	448,480	64,736	-	15,865,739
Securities issued	-	1,578,554	1,617,177	2,366,558	6,352,334	-	-	11,914,623
Miscellaneous payables	-	3,596,295	107,170	69,123	4,921	-	903,462	4,680,971
Other liabilities	506	1,159,536	368,378	19,340	295,824	4,282,946	25,531,358	31,657,888
Total liabilities	23,036,428	87,151,688	27,112,172	15,645,871	11,477,920	9,336,497	26,434,820	200,195,396
Liquidity gap	7,244,855	(72,262,894)	(20,905,591)	13,900,895	57,996,542	33,001,036	(18,974,843)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	(104,461)	111,944	202,340	125,310	370,287	-	705,420
Payables from Derivative Financial Instruments	-	14,021,921	6,258,702	1,871,665	9,232,793	4,458,741	-	35,843,822
Non-cash Loans	2,608,185	762,776	19,507,080	6,091,087	3,979,775	719,403	-	33,668,306
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed(*)	Total
Total assets	25,646,221	15,865,730	5,191,847	28,101,282	66,535,678	40,925,182	7,319,618	189,585,558
Total liabilities	20,635,409	79,801,335	23,867,969	19,737,147	10,985,905	9,583,788	24,974,005	189,585,558
Liquidity gap	5,010,812	(63,935,605)	(18,676,122)	8,364,135	55,549,773	31,341,394	(17,654,387)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	36,402	(15,382)	70,417	496,019	374,145	-	961,601
Payables from Derivative Financial Instruments	-	10,288,932	3,593,668	1,389,636	5,540,752	4,922,653	-	25,735,641
Non-cash Loans	2,663,320	951,139	19,403,416	5,498,569	4,078,818	524,639	-	33,119,901

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Residual contractual maturities of 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	6,575,008	6,599,132	349,556	5,064,345	859,473	325,758	-	-
Other deposits	109,388,490	109,954,949	22,686,366	59,890,623	20,561,698	5,811,796	981,822	22,644
Funds borrowed	20,112,677	21,867,199	-	716,307	3,814,375	7,372,174	3,973,994	5,990,349
Money market takings	15,865,739	16,020,516	-	15,345,320	19,243	-	563,471	92,482
Securities issued	11,914,623	12,517,244	-	1,588,310	1,638,823	2,454,025	6,836,086	-
Miscellaneous payables	4,680,971	4,680,971	903,462	3,596,295	107,170	69,123	4,921	-
Other liabilities	7,099,794	8,872,808	1,612,819	881,382	37,191	15,167	279,945	6,046,304
Total	175,637,302	180,512,819	25,552,203	87,082,582	27,037,973	16,048,043	12,640,239	12,151,779
Non-Cash Loans	33,668,306	33,668,306	2,608,185	762,776	19,507,080	6,091,087	3,979,775	719,403

Prior period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	5,578,475	5,593,377	392,993	4,483,071	562,204	155,109	-	-
Other deposits	106,431,522	107,036,149	20,242,411	58,628,018	19,787,960	7,396,999	954,597	26,164
Funds borrowed	20,195,047	21,775,455	-	619,943	977,891	10,192,539	3,767,715	6,217,367
Money market takings	12,827,198	12,843,308	-	11,227,072	1,151,513	-	399,406	65,317
Securities issued	10,646,708	11,398,974	-	1,185,490	1,246,388	2,031,028	6,936,068	-
Miscellaneous payables	4,397,761	4,397,761	821,687	3,197,707	107,686	266,215	4,466	-
Other liabilities	6,546,168	8,465,570	1,726,125	378,507	37,667	52,867	83,027	6,187,377
Total	166,622,879	171,510,594	23,183,216	79,719,808	23,871,309	20,094,757	12,145,279	12,496,225
Non-Cash Loans	33,119,901	33,119,901	2,663,320	951,139	19,403,416	5,498,569	4,078,818	524,639

This table shows the undiscounted cash flows on the Group’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 consolidated financial statements.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 6.76%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (31 December 2015: 6.72%). The Regulation adjudicated minimum leverage rate as 3%.

Summary comparison table of the total risk amount and the total asset amount in the consolidated financial statements prepared as per TAS

	Current Period	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	188,113,759	162,827,024
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks ⁽¹⁾	(1,471,799)	(724,438)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	(1,339,299)	(641,280)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	11,531,134	13,728,740
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	9,316,429	5,151,269
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts ⁽²⁾	(75,852,096)	(67,168,264)
Total risk amount	245,588,552	206,003,270

⁽¹⁾ The amounts represent 31 December 2015 and 31 December 2014 balances of consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

⁽²⁾ The balances in the table represent the average of three months.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. CONSOLIDATED LEVERAGE RATIO (Continued)

Leverage ratio common disclosure template

		Current Period^(*)	Prior Period^(*)
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs; including collateral)	198,540,075	188,355,835
2	Assets deducted in determining Basel III Tier 1 capital	(310,907)	(357,384)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	198,229,168	187,998,451
Derivative exposures			
4	Replacement cost	993,860	958,702
5	Add-on amount	626,559	380,597
6	Total derivative exposures	1,620,419	1,339,299
Securities financing transaction exposures			
7	Gross SFT assets (with no recognition of accounting netting)	771,634	779,920
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	771,634	779,920
Other off-balance sheet exposures			
10	Off-balance sheet exposures with gross nominal amount	59,790,064	54,444,913
11	Adjustment amount off-balance sheet exposures with credit conversion factor	1,126,063	1,025,968
12	Total off-balance sheet exposures	60,916,127	55,470,881
Capital and total exposures			
13	Tier 1 capital	17,670,369	16,514,311
14	Total exposures	261,537,348	245,588,551
Leverage ratio			
15	Leverage ratio	6.76	6.72

(*) Calculated by using 3 month average of balances in Leverage Rate Notification table.

VII. CONSOLIDATED SEGMENT REPORTING

The Parent 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, overdraft facilities, 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 Parent 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 has been built in order to serve customers' needs effectively and efficiently.

Additionally, the Parent 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 Parent Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	2,364,875	3,933,742	1,729,427	8,266	8,036,310
<i>Interest income from loans</i>	2,364,875	3,829,915	509,478	-	6,704,268
<i>Interest income from reserve deposits</i>	-	-	54,942	-	54,942
<i>Interest income from securities portfolio</i>	-	-	1,106,906	-	1,106,906
<i>Interest income from banks</i>	-	-	57,785	-	57,785
<i>Interest income from money market transactions</i>	-	-	316	-	316
<i>Finance lease income</i>	-	54,223	-	-	54,223
<i>Other interest income</i>	-	49,604	-	8,266	57,870
Interest Expense	1,633,309	1,887,255	1,242,165	39,559	4,802,288
<i>Interest expense on deposits</i>	1,633,309	1,851,427	127,584	-	3,612,320
<i>Interest expense on funds borrowed</i>	-	35,828	181,961	-	217,789
<i>Interest expense on money market transactions</i>	-	-	489,117	-	489,117
<i>Interest expense on securities issued</i>	-	-	318,983	-	318,983
<i>Other interest expenses</i>	-	-	124,520	39,559	164,079
Net Interest Income	731,566	2,046,487	487,262	(31,293)	3,234,022
Net Fees and Commissions Income	209,486	165,254	32,316	-	407,056
Trading Income/ Losses (Net)	-	-	70,829	-	70,829
Dividend Income	-	-	61,139	-	61,139
Other Income (*)	-	-	-	1,076,189	1,076,189
Provision For Losses on Loans and Other					
Receivables	139,360	721,307	16,696	134,067	1,011,430
Other Expenses (**)	-	-	-	2,458,410	2,458,410
Income/Loss From Investments Under Equity Accounting	-	-	20,483	-	20,483
Profit Before Taxes	801,692	1,490,434	655,333	(1,547,581)	1,399,878
Provision for taxes	-	-	-	(297,308)	(297,308)
Net Profit/ Loss	801,692	1,490,434	655,333	(1,844,889)	1,102,570
SEGMENT ASSETS					
Securities Portfolio	-	-	25,684,589	-	25,684,589
Derivative Financial Assets Held for Trading					
Purpose	-	-	983,518	-	983,518
Banks and Receivables From Money Markets	-	-	5,504,318	-	5,504,318
Investments in Associates and Subsidiaries	-	-	585,637	-	585,637
Loans and Receivables	39,212,485	73,979,566	18,837,436	-	132,029,487
Other Assets	-	2,213,239	24,699,956	8,494,652	35,407,847
TOTAL ASSETS	39,212,485	76,192,805	76,295,454	8,494,652	200,195,396
SEGMENT LIABILITIES					
Deposits	50,304,859	59,083,631	6,575,008	-	115,963,498
Derivative Financial Liabilities Held for Trading					
Purpose	-	-	743,796	-	743,796
Interbank Money Market Takings	-	-	15,865,739	-	15,865,739
Funds Borrowed	-	555,132	19,557,545	-	20,112,677
Securities Issued	-	-	11,914,623	-	11,914,623
Other Liabilities	-	506	4,463,432	6,943,911	11,407,849
Provisions and Tax Liabilities	-	-	-	5,883,028	5,883,028
Equity	-	-	-	18,304,186	18,304,186
TOTAL LIABILITIES AND EQUITY	50,304,859	59,639,269	59,120,143	31,131,125	200,195,396

(*) TL 424,133 amount of TL 1,076,189 shown in other income consist of acquired insurance premiums, TL 376,828 of income from reversal of the specific provisions for loans from prior periods, TL 129,031 of income from the sale of Group’s assets, TL 22,057 from communications income, TL 578 of leasing income, TL 36,860 of income from private pension activities and the remaining TL 86,702 of other operating income.

(**) TL 820,717 amount of TL 2,458,410 shown in other expenses line consists of personnel expenses, TL 965,387 of other operating expenses, TL 91,687 of depreciation expenses, TL 75,556 of dividend reserve expenses to be given to personnel, TL 66,818 of Savings Deposit Insurance Fund (SDIF) expenses, TL 73,488 of taxes and funds expenses, and the remaining TL 364,757 of other expenses.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	2,015,734	3,121,314	1,473,716	7,835	6,618,599
<i>Interest income from loans</i>	2,015,734	3,038,537	362,934	-	5,417,205
<i>Interest income from reserve deposits</i>	-	-	8,144	-	8,144
<i>Interest income from securities portfolio</i>	-	-	1,062,479	-	1,062,479
<i>Interest income from banks</i>	-	-	39,573	-	39,573
<i>Interest income from money market transactions</i>	-	-	586	-	586
<i>Finance lease income</i>	-	47,041	-	-	47,041
<i>Other interest income</i>	-	35,736	-	7,835	43,571
Interest Expense	1,169,814	1,591,500	1,042,352	26,709	3,830,375
<i>Interest expense on deposits</i>	1,169,814	1,551,490	99,266	-	2,820,570
<i>Interest expense on funds borrowed</i>	-	40,010	136,713	-	176,723
<i>Interest expense on money market transactions</i>	-	-	421,500	-	421,500
<i>Interest expense on securities issued</i>	-	-	276,361	-	276,361
<i>Other interest expenses</i>	-	-	108,512	26,709	135,221
Net Interest Income	845,920	1,529,814	431,364	(18,874)	2,788,224
Net Fees and Commissions Income	297,208	95,116	32,316	-	424,640
Trading Income/ Losses (Net)	-	-	118,575	-	118,575
Dividend Income	-	-	10,102	-	10,102
Other Income (*)	-	-	-	972,675	972,675
Provision For Losses on Loans and Other Receivables	269,943	463,685	15,164	258,298	1,007,090
Other Expenses (**)	-	-	-	2,413,142	2,413,142
Income/Loss From Investments Under Equity Accounting	-	-	16,772	-	16,772
Profit Before Taxes	873,185	1,161,245	593,965	(1,717,639)	910,756
Provision for taxes	-	-	-	(248,234)	(248,234)
Net Profit/ Loss	873,185	1,161,245	593,965	(1,965,873)	662,522
SEGMENT ASSETS					
Securities Portfolio	-	-	25,124,235	-	25,124,235
Derivative Financial Assets Held for Trading Purpose	-	-	885,467	-	885,467
Banks and Receivables From Money Markets	-	-	6,182,718	-	6,182,718
Investments in Associates and Subsidiaries	-	-	566,352	-	566,352
Loans and Receivables	36,859,220	71,577,442	17,523,017	-	125,959,679
Other Assets	-	2,043,552	20,379,948	8,443,607	30,867,107
TOTAL ASSETS	36,859,220	73,620,994	70,661,737	8,443,607	189,585,558
SEGMENT LIABILITIES					
Deposits	47,588,682	58,842,840	5,578,475	-	112,009,997
Derivative Financial Liabilities Held for Trading Purpose	-	-	304,352	-	304,352
Interbank Money Market Takings	-	-	12,827,198	-	12,827,198
Funds Borrowed	-	371,535	19,823,512	-	20,195,047
Securities Issued	-	-	10,646,708	-	10,646,708
Other Liabilities	-	5	4,745,571	6,257,930	11,003,506
Provisions and Tax Liabilities	-	-	-	5,595,995	5,595,995
Equity	-	-	-	17,002,755	17,002,755
TOTAL LIABILITIES AND EQUITY	47,588,682	59,214,380	53,925,816	28,856,680	189,585,558

(*) TL 426,121 amount of TL 972,675 of income from reversal of the specific provisions for loans from prior periods, TL 373,910 of acquired insurance premiums, TL 39,359 of income from the sale of Group’s assets, TL 24,686 of communications income, TL 31,596 of income from private pension activities, TL 214 of leasing income and the remaining TL 76,789 of other operating income.

(**) TL 743,133 amount of TL 2,413,142 shown in other expenses line consists of personnel expenses, TL 1,006,114 of other operating expenses, TL 82,767 of depreciation expenses, TL 68,914 of dividend reserve expenses to be given to personnel, TL 55,517 of Savings Deposit Insurance Fund (SDIF) expenses, TL 62,826 of taxes and funds expenses and the remaining TL 393,871 of other expenses.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT

Overview of Risk Weighted Amounts

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

		Risk Weighted Amount		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit Risk (excluding counterparty credit risk) (*)	139,690,614	138,773,665	11,175,249
2	Standardised approach	139,690,614	138,773,665	11,175,249
3	Internal rating based approach	-	-	-
4	Counterparty Credit Risk	2,701,342	1,088,280	216,107
5	Standardised approach for counterparty credit risk	2,701,342	1,088,280	216,107
6	Internal model method	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% weighted risk approach	-	-	-
11	Settlement Risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB Supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	566,475	1,251,982	45,318
17	Standardised approach	566,475	1,251,982	45,318
18	Internal model approaches	-	-	-
19	Operational Risk	12,245,361	10,950,128	979,629
20	Basic Indicator Approach	12,245,361	10,950,128	979,629
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	479,778	347,963	38,382
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	155,683,569	152,412,017	12,454,686

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

Credit Quality of Assets

		Gross carrying values of (according to TAS)			Net Values (a+b-c)
		Defaulted Exposures	Defaulted Exposures	Allowances / Impairment	
1	Loans	5,723,942	131,021,308	4,715,763	132,029,487
2	Debt Securities	-	25,701,893	39,731	25,662,162
3	Off-balance sheet exposure	131,129	61,282,521	46,042	61,367,608
4	Total	5,855,071	218,005,722	4,801,536	219,059,257

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

1	Defaulted Loans and debt securities at 31 December 2015	5,138,113
2	Loans and debt securities that have defaulted since the last reporting period	1,252,273
3	Returned to non-defaulted status	(175,864)
4	Amounts written-off	-
5	Other Changes	(490,580)
6	Defaulted Loans and debt securities at 30 June 2016 (1+2-3-4+5)	5,723,942

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

Credit Risk Mitigation Techniques

	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
2	Debt Securities	25,662,162	-	-	-	-	-
3	Total	109,020,992	48,670,657	41,327,407	2,282,338	1,969,558	-
4	Of which Defaulted	5,723,942	-	-	-	-	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

Asset classes	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	52,916,195	-	54,688,611	-	14,317,170	26%
2 Exposures to regional governments or local authorities	3,638,457	397,595	3,638,457	183,194	1,885,044	49%
3 Exposures to public sector entities	376,466	883,221	376,466	422,017	792,141	99%
4 Exposures to multilateral development banks	-	432	-	216	-	0%
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	2,881,112	1,568,720	2,881,113	883,539	1,651,467	44%
7 Exposures to corporates	51,728,529	42,732,541	49,956,112	15,511,456	64,064,412	98%
8 Retail exposures	39,586,040	18,016,043	39,586,040	1,902,603	30,953,567	75%
9 Exposures secured by residential property	18,703,528	649,210	18,703,528	273,527	6,641,969	35%
10 Exposures secured by commercial real estate	19,518,029	1,511,203	19,518,029	819,883	12,656,365	62%
11 Past-due loans	1,050,854	-	1,050,854	-	1,050,854	100%
12 Higher-risk categories by the Agency Board	308,358	-	308,358	-	654,448	212%
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16 Other assets	6,757,720	-	6,757,720	-	4,887,283	72%
17 Investment in equities	615,672	-	615,672	-	615,672	100%
18 Total	198,080,960	65,758,965	198,080,960	19,996,434	140,170,391	64%

Exposures by asset classes and risk weights

Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)		50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1 Exposures to central governments or central banks	26,054,272	-	-	-	28,634,339	-	-	1	-	-	-	-	54,688,610
2 Exposures to regional governments or local authorities	8,740	-	71,370	-	3,741,541	-	-	-	-	-	-	-	3,821,651
3 Exposures to public sector entities	5,844	-	623	-	-	-	792,016	-	-	-	-	-	798,483
4 Exposures to multilateral development banks	216	-	-	-	-	-	-	-	-	-	-	-	216
5 Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	1,022	-	818,827	-	2,914,205	-	30,599	-	-	-	-	-	3,764,653
7 Exposures to corporates	355,540	-	324,542	-	1,575,965	-	63,211,521	-	-	-	-	-	65,467,569
8 Retail exposures	-	-	-	-	-	41,488,643	-	-	-	-	-	-	41,488,643
9 Exposures secured by residential property	-	-	-	18,977,055	-	-	-	-	-	-	-	-	18,977,055
10 Exposures secured by commercial real estate	-	-	-	-	15,363,095	-	4,974,817	-	-	-	-	-	20,337,912
11 Past-due loans	-	-	-	-	-	-	1,050,854	-	-	-	-	-	1,050,854
12 Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	116,447	-	191,911	-	-	308,358
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Other assets	-	-	-	-	-	-	615,672	-	-	-	-	-	615,672
17 Investments in equities	1,668,811	-	252,032	-	-	-	4,836,877	-	-	-	-	-	6,757,720
18 Total	28,094,445	-	1,467,394	18,977,055	52,229,143	41,488,643	75,512,357	116,447	-	191,911	-	-	218,077,395

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Analysis of counterparty credit risk (CCR) exposure by approach

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post CRM	RWA
1 Valuation Method according to fair value - CCR (for derivatives)	1,035,439	606,739		-	1,642,178	814,649
2 Standardised Approach - CCR (For Derivatives)				1,4	-	-
3 Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
4 Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					690,779	168,014
5 Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
6 VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	982,663

Credit valuation adjustment (CVA) capital charge

	Exposure at default post CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (Including the 3 x multiplier)		-
2 (ii) Stressed VaR component (Including the 3 x multiplier)		-
3 All portfolios subject to the Standardised CVA capital charge	4,784,695	1,718,680
4 Total subject to the CVA capital charge	4,784,695	1,718,680

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

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

Regulatory Portfolio / Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	12,017,094	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,725	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	13,275	-	-	-	-	1,952	-	-	1,952
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organisations	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	2,464,594	-	3,436,432	3,327,024	-	-	-	-	2,350,798
Corporates	4,212	-	-	-	-	337,640	-	-	337,640
Retail portfolios	-	-	-	-	14,603	-	-	-	10,952
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are defined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-
Total	14,500,900	-	3,436,432	3,327,024	14,603	339,592	339,591	-	2,701,342

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Collateral Received		Collateral Posted		Collateral	Collateral
	Segregated	Unsegregated	Segregated	Unsegregated	Received	Posted
Posted Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	14,922,000	2,393
Other sovereign debt	-	-	-	-	-	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	-	-	-	14,922,000	2,393

Credit Derivative Exposures

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

Explanations Related to Market Risk

	RWA
Outright Products	562,600
1. Interest Rate Risk (general ve spesifik)	230,069
2. Equity Risk (general ve spesifik)	11,644
3. Foreign Exchange Risk	320,888
4. Commodity Risk	-
Options	3,875
5. Simplified Approach	-
6. Delta-plus Method	3,875
7. Scenario Approach	-
8. Securitisation	-
9. Total	566,475

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,310,227	348,221	1,157,778	282,194
Central Bank of Republic of Turkey (*)	1,635,623	22,248,382	778,712	19,055,634
Other	243,760	18,697	197,527	18,069
Total	3,189,610	22,615,300	2,134,017	19,355,897

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

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

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

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

Balances with the Central Bank of Republic of Turkey

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	15,220	9,648	52,723	-
Other	-	-	-	-
Total	15,220	9,648	52,723	-

Trading securities subject to repurchase agreements

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	8,253	164	2,087	624
Swap transactions	806,452	168,036	737,149	145,264
Futures	-	-	-	-
Options	391	222	103	240
Other	-	-	-	-
Total	815,096	168,422	739,339	146,128

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	889,600	4,608,910	1,185,799	4,990,220
Domestic	870,712	190,684	1,185,057	322,562
Foreign	18,888	4,418,226	742	4,667,658
Foreign Head Offices and Branches	-	-	-	-
Total	889,600	4,608,910	1,185,799	4,990,220

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
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	970,331	1,511,601	1,571,646	1,516,438
Other	-	-	-	-
Total	970,331	1,511,601	1,571,646	1,516,438

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	6,510,532	-	3,621,980	-
Treasury bills	-	-	-	-
Other debt securities	-	2,209,897	-	2,647,350
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Total	6,510,532	2,209,897	3,621,980	2,647,350

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	17,854,195	17,432,577
Quoted on a Stock Exchange	17,854,195	17,432,577
Unquoted	-	-
Equity securities	22,427	79,253
Quoted on a Stock Exchange	-	-
Unquoted	22,427	79,253
Provisions for impairment losses (-)	32,368	175,719
Total	17,844,254	17,336,111

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	29,957	-	28,550
Legal entities	-	29,957	-	28,550
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	112,058	30	103,366	13
Total	112,058	29,987	103,366	28,563

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

Cash Loans	Standard loans and other receivables		Loans and other receivables under close monitoring			
	Loans and other receivables	Agreement conditions modified	Loans and other receivables		Agreement conditions modified	
			Payment plan extensions	Other	Payment plan extensions	Other
Non-specialized loans	123,461,973	856,560	-	5,291,830	1,357,820	-
Loans given to enterprises	36,560,695	375,890	-	1,623,743	1,063,178	-
Export loans	4,917,649	-	-	154,031	5,522	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,517,313	-	-	1,519	-	-
Consumer loans	32,831,839	142,278	-	1,580,121	241,529	-
Credit cards	5,146,807	-	-	381,331	11,501	-
Other	41,487,670	338,392	-	1,551,085	36,090	-
Specialized lending	1,235	-	-	-	-	-
Other receivables	9,215	-	-	-	-	-
Total	123,472,423	856,560	-	5,291,830	1,357,820	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	395,578	32,293,107	32,688,685
Housing loans	8,899	16,161,436	16,170,335
Automobile loans	5,477	471,370	476,847
General purpose loans	381,202	15,660,301	16,041,503
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	1,311	4,295	5,606
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,311	4,295	5,606
Other	-	-	-
Retail credit cards – TL	3,925,181	83,585	4,008,766
With instalment	1,670,293	75,828	1,746,121
Without instalment	2,254,888	7,757	2,262,645
Retail credit cards – FC	11,281	-	11,281
With instalment	-	-	-
Without instalment	11,281	-	11,281
Personnel loans – TL	3,676	50,352	54,028
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	3,676	50,352	54,028
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	371	-	371
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	371	-	371
Other	-	-	-
Personnel credit cards – TL	57,063	196	57,259
With instalment	23,295	176	23,471
Without instalment	33,768	20	33,788
Personnel credit cards – FC	400	-	400
With instalment	-	-	-
Without instalment	400	-	400
Overdraft Checking Accounts – TL (Real person)	2,046,980	-	2,046,980
Overdraft Checking Accounts – FC (Real person)	97	-	97
Total	6,441,938	32,431,535	38,873,473

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	948,928	23,434,123	24,383,051
Real estate loans	3,977	932,383	936,360
Automobile loans	76,592	1,609,986	1,686,578
General purpose loans	868,359	20,891,754	21,760,113
Other	-	-	-
Instalment-based commercial loans – FC indexed	28,082	1,271,200	1,299,282
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	28,082	1,271,200	1,299,282
Other	-	-	-
Instalment-based commercial loans – FC	912,398	6,885,296	7,797,694
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	912,398	6,803,618	7,716,016
Other	-	81,678	81,678
Corporate credit cards – TL	1,461,402	246	1,461,648
With instalment	489,926	246	490,172
Without instalment	971,476	-	971,476
Corporate credit cards – FC	285	-	285
With instalment	-	-	-
Without instalment	285	-	285
Overdraft Checking Accounts – TL (Corporate)	1,061,085	-	1,061,085
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	4,412,180	31,590,865	36,003,045

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic loans	130,507,273	124,574,596
Foreign loans	471,360	476,149
Total	130,978,633	125,050,745

Loans to associates and subsidiaries

	Current Period	Prior Period
Directly loans to associates and subsidiaries	4,351	1,071
Indirectly loans to associates and subsidiaries	-	-
Total	4,351	1,071

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and receivables with limited collectability	137,471	99,970
Loans and receivables with doubtful collectability	412,562	388,461
Uncollectible loans and receivables	4,123,055	3,740,748
Total	4,673,088	4,229,179

Information on non-performing loans (Net)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	61,279	131,279	62,580
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	61,279	131,279	62,580
Prior period	51,611	88,881	59,591
(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
Balance at the beginning of the period	501,060	784,848	3,852,205
Additions (+)	1,222,070	14,917	15,286
Transfers from other categories of loans under follow-up (+)	-	891,359	737,216
Transfers to other categories of loans under follow-up (-) (*)	897,171	727,366	152,218
Collections (-)	135,359	131,426	250,990
Write-offs (-)	-	-	962
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	962
Currency differences	-	-	473
Balance at the end of the period	690,600	832,332	4,201,010
Specific provisions (-) (**)	137,471	412,562	4,123,055
Net balance on balance sheet	553,129	419,770	77,955

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance at the end of the period	16,657	33,326	420,211
Specific provision (-)	2,682	12,926	369,984
Net balance on balance sheet	13,975	20,400	50,227
Prior Period			
Balance at the end of the period	24,405	88,660	380,742
Specific provision (-)	5,902	44,296	340,558
Net balance on balance sheet	18,503	44,364	40,184

Non-performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

Explanation on Write-off Policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it is concluded that those loans are uncollectible. This conclusion is given after considering information such as the occurrence of significant changes in the borrower / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

The gross and net amounts of non-performing loans according to user groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Consumer and Commercial Loans (Gross)	683,756	819,603	4,114,411
Specific Provision (-)	136,102	406,197	4,036,456
Consumer and Commercial Loans (Net)	547,654	413,406	77,955
Banks (Gross)	-	-	7,458
Specific Provision (-)	-	-	7,458
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	6,844	12,729	79,141
Specific Provision (-)	1,369	6,365	79,141
Other Loans and Receivables (Net)	5,475	6,364	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	494,639	775,650	3,773,247
Specific Provision (-)	98,686	383,862	3,661,790
Consumer and Commercial Loans (Net)	395,953	391,788	111,457
Banks (Gross)	-	-	7,517
Specific Provision (-)	-	-	7,517
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	6,421	9,198	71,441
Specific Provision (-)	1,284	4,599	71,441
Other Loans and Receivables (Net)	5,137	4,599	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	7,587,748	-	7,546,748	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	-	-	-
Total	7,587,748	-	7,546,748	-

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	7,753,333	7,683,950
<i>Quoted at stock exchanges</i>	7,594,886	7,552,969
<i>Unquoted at stock exchanges</i>	158,447	130,981
Impairment losses (-)	7,138	6,221
Total	7,746,195	7,677,729

The movement table of the held-to-maturity investments

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on held-to-maturity investments

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

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

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)		Bank Risk Group’s Share (%)
		Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)	
1 Roketsan Roket Sanayi ve Ticaret A.Ş. (*)	Ankara/Turkey	9.93	9.93	9.93
2 Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	9.70	9.70	9.70
3 Kredi Kayıt Bürosu A.Ş. (*)	İstanbul/Turkey	9.09	9.09	9.09
4 Güçbirliği Holding A.Ş. (*)	İzmir/Turkey	0.07	0.07	0.07
5 İzmir Enternasyonal Otelcilik A.Ş.	İstanbul/Turkey	5.00	5.00	5.00
6 İstanbul Takas ve Saklama Bankası A.Ş. (*)	İstanbul/Turkey	4.37	4.37	4.37
7 Kredi Garanti Fonu A.Ş. (*)	Ankara/Turkey	1.69	1.69	1.69
8 Tasfiye Halinde World Vakıf UBB Ltd. (*)	Lefkoşa/NCTR	82.00	82.00	85.25

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1	3,165,539	851,406	522,661	6,013	-	47,048	6,389	-
2	68,992	39,246	47,932	383	-	9,586	5,165	-
3	152,693	118,976	95,290	1,050	-	5,766	9,994	-
4	135,543	(31,750)	88,035	143	-	413	(6,563)	-
5	105,572	(2,185)	88,226	-	-	(2,556)	(15,490)	-
6	7,509,099	897,052	102,758	76,732	2,715	65,580	42,632	-
7	308,902	300,701	6,117	3,010	-	1,710	5,828	-
8	1,313	(81,691)	-	-	-	(4,249)	(3,377)	-

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 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”.

Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:

İstanbul Takas ve Saklama Bankası A.Ş. and Kredi Garanti Fonu A.Ş. have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş., Roketsan Roket Sanayi ve Ticaret A.Ş., Güçbirliği Holding A.Ş. and İzmir Enternasyonel A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

Consolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	862,217	85,220	6,716	34,419	1,605	2,973	4,532	-
2	22,549,270	3,013,167	757,493	488,702	175,868	239,178	192,087	2,719,533

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 Meeting of the General Assembly 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.

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.

Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	224,269	259,957
Movements during the period	14,247	(35,688)
Transfers	-	-
Acquisitions	-	-
Bonus shares received	29,632	20,944
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(15,385)	(56,632)
Impairment losses	-	-
Balance at the end of the period	238,516	224,269
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	238,516	224,269
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	238,516	224,269

Quoted associates

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

Investments in associates disposed during the period

There is not any associate disposed by the Parent Bank in the current period.

Investments in associates acquired during the period

There is not any associate acquired by the Parent Bank in the current period.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

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

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Vakıf Yatırım Menkul Değerler A.Ş., which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of Capital Markets Board as six months periods. Güneş Sigorta A.Ş. and Vakıf Emeklilik A.Ş., which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, 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 as six months periods. According to the calculations at 30 June 2016, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

	Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1	Vakıf Enerji ve Madencilik AŞ (*)	Ankara/Turkey	65.50	84.96
2	Taksim Otelcilik AŞ	İstanbul/Turkey	51.00	51.52
3	Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/Turkey	69.33	74.98
4	Vakıf Gayrimenkul Değerleme AŞ	Ankara/Turkey	54.29	58.57

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Years’ Profit/(Loss)	Fair Value
1	25,326	5,636	1,042	690	-	(2,266)	(711)	14,100
2	366,589	352,422	239,791	4,357	-	1,412	14	364,500
3	51,313	42,516	723	3,351	57	3,587	3,861	53,100
4	31,432	26,260	315	1,633	-	1,107	1,499	40,200

(*) Financial information as at 31 December 2015 has been presented for these subsidiaries.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik A.Ş., Taksim Otelcilik A.Ş., Vakıf Pazarlama Sanayi ve Ticaret A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

In the previous 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, The Parent Bank’s current nominal share has been increased from TL 3,800 to TL 7,600 by TL 3,800 and The Parent Bank’s share percentage has been remained the same as 54.29%.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Investments in consolidated subsidiaries

Title	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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit / (Loss)	Prior Period’s Profit / (Loss)	Fair Value
1	1,298,027	60,671	324,072	22,142	498	(70,144)	(82,678)	206,845
2	4,788,345	223,874	108,872	16,662	69	24,589	14,197	704,475
3	903,230	114,213	2,710	50,048	-	8,485	6,509	79,300
4	1,500,364	153,857	19,874	54,336	-	10,167	10,953	106,927
5	238,543	97,910	1,436	6,389	119	3,558	(6,761)	86,700
6	2,977,212	417,327	993	39,263	8,658	14,361	20,372	462,470
7	18,655	17,745	182	976	43	3,157	1,462	56,300
8	18,900	17,426	44	169	598	(256)	227	16,582
9	950,490	833,986	517,258	16,023	-	11,431	15,083	478,003

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period	Prior Period
Balance at the beginning of the period	1,350,170	1,187,597
Movements during the period	(23,191)	162,573
Transfers	-	-
Acquisitions	-	-
Bonus shares received	15,858	805
Share of current year profit	(1,314)	(24,557)
Sales and liquidations	-	-
Fair value changes	(38,660)	198,150
Impairment losses	925	(11,825)
Balance at the end of the period	1,326,979	1,350,170
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,326,979	1,350,170
Equity method of accounting	-	-
Total	1,326,979	1,350,170

Sectoral distribution of consolidated investments in financial subsidiaries

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

Quoted consolidated subsidiaries

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

Consolidated subsidiaries disposed during the period

There is not any disposal in the consolidated subsidiaries in the current year.

Consolidated investments in subsidiaries acquired during the period

The Parent Bank does not have any subsidiary that are purchased in the current period in the scope of consolidation.

In the current period, subsequent to the 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 the 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 previous 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.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the previous 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 previous period, in total full TL 12 nominal share of Vakıf Portföy Yönetimi 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%.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group within current and prior period.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	73,464	70,144	82,589	78,324
Between 1-4 years	968,805	860,352	782,065	694,895
Longer than 4 years	490,294	398,991	671,417	552,606
Total	1,532,563	1,329,487	1,536,071	1,325,825

Net investments in finance lease receivables

	Current Period	Prior Period
Gross finance lease receivables	1,532,563	1,536,071
Unearned income on finance lease receivables (-)	(203,076)	(210,246)
Terminated lease contracts (-)	-	-
Net finance lease receivables	1,329,487	1,325,825

Finance lease agreements

Sum of the minimum lease payments including interest and principal amounts are stated under the “finance lease receivables” as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the “unearned income” account. If the lease payments are made, the lease principal amount is deducted from the “finance lease receivables” as the interest component of the payment is reflected to interest income on the consolidated statement of income.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As of 30 June 2016, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 9,366 (31 December 2015: TL 9,924) and its subsidiaries which are operating in real estate investment business is TL 314,405 (31 December 2015: 277,802).

13. Information on tax assets

(a) Current tax assets

As at 30 June 2016 the current tax asset of the Group amounts to TL 184 (31 December 2015: TL 3,731).

(b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 30 June 2016 and 31 December 2015:

	Current Period	Prior Period
Provision for employee termination benefits and unused vacations	98,582	91,563
Other provisions	88,909	81,175
Valuation differences of associates and subsidiaries	27,704	27,704
Deductible financial losses	26,418	26,418
Investment incentives	7,811	9,697
Valuation differences of financial assets and liabilities	49,860	78,160
Reporting Standards - Tax Code depreciation differences	8,096	7,252
Other differences	13,032	5,209
Deferred tax assets	320,412	327,178
Net-off of the deferred tax assets and liabilities from the same entity	(128,501)	(187,993)
Deferred tax assets, (net)	191,911	139,185
Valuation differences of financial assets and liabilities	96,035	133,654
Valuation difference for associates and subsidiaries	6,888	18,421
Valuation differences of properties	37,434	47,351
Other differences	7,774	11,657
Deferred tax liabilities	148,131	211,083
Net-off of the deferred tax assets and liabilities from the same entity	(128,501)	(187,993)
Deferred tax liabilities, (net)	19,630	23,090

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

	Current Period	Previous Period
As of 1 January	116,095	157,751
Deferred tax income/loss	138,167	(109,715)
Deferred tax that is accounted under equity	(90,799)	70,314
Other	8,818	(2,255)
Deferred tax asset/(liability)	172,281	116,095

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As at 30 June 2016, net book value of assets held for sale of the Group is amounting to TL 1,081,794 (31 December 2015: TL 994,991).

15. Information on other assets

As at 30 June 2016 and 31 December 2015, the details of other assets are as follows:

	Current Period	Prior Period
Receivables from insurance operations	926,805	1,002,182
Receivables from credit card payments	992,993	923,489
Prepaid expenses	660,030	669,777
Guarantees given for repurchase agreements	-	143,978
Guarantees given for derivative financial instruments	786,911	501,035
Receivables from term sale of assets	29,040	44,567
Receivables from reinsurance companies	43,548	23,311
Deferred commission expenses	33,989	68,427
Other	423,662	675,587
Total	3,896,978	4,052,353

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	5,567,017	-	448,833	24,950,957	1,891,141	299,677	131,089	-	33,288,714
Foreign currency deposits	5,230,535	-	2,089,117	16,376,533	1,687,275	1,040,339	5,360,163	-	31,783,962
Residents in Turkey	4,475,753	-	2,045,709	16,113,978	1,448,599	542,372	892,054	-	25,518,465
Residents in abroad	754,782	-	43,408	262,555	238,676	497,967	4,468,109	-	6,265,497
Public sector deposits	5,068,009	-	4,059,943	7,280,632	702,191	1,788,994	218,474	-	19,118,243
Commercial deposits	2,426,704	-	4,903,714	7,005,948	1,414,303	174,780	4,041	-	15,929,490
Other	3,881,360	-	1,264,977	2,706,492	826,587	50,015	25,908	-	8,755,339
Precious metal deposits	512,741	-	-	-	-	-	-	-	512,741
Bank deposits	349,556	-	4,237,963	1,309,789	340,165	129,723	207,813	-	6,575,009
Central Bank	1,927	-	-	-	-	-	-	-	1,927
Domestic banks	27,014	-	4,232,894	1,048,709	245,049	19,087	4,103	-	5,576,856
Foreign banks	200,346	-	5,069	261,080	95,116	110,636	203,710	-	875,957
Participation banks	120,269	-	-	-	-	-	-	-	120,269
Other	-	-	-	-	-	-	-	-	-
Total	23,035,922	-	17,004,547	59,630,351	6,861,662	3,483,528	5,947,488	-	115,963,498

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	4,424,092	-	471,519	22,041,396	1,027,318	255,301	124,971	-	28,344,597
Foreign currency deposits	4,479,182	-	3,412,030	15,859,982	1,497,162	1,127,496	5,403,554	-	31,779,406
Residents in Turkey	3,847,197	-	3,409,099	15,546,772	1,235,166	611,274	942,705	-	25,592,213
Residents in abroad	631,985	-	2,931	313,210	261,996	516,222	4,460,849	-	6,187,193
Public sector deposits	4,504,470	-	4,869,059	6,958,081	843,503	1,879,924	205,243	-	19,260,280
Commercial deposits	2,457,798	-	3,735,859	11,025,533	146,767	50,949	1,336	-	17,418,242
Other	3,751,277	-	1,772,094	3,170,500	242,340	41,669	25,525	-	9,003,405
Precious metal deposits	625,592	-	-	-	-	-	-	-	625,592
Bank deposits	392,993	-	3,804,547	886,665	230,210	118,489	145,571	-	5,578,475
Central Bank	1,116	-	-	-	-	-	-	-	1,116
Domestic banks	6,431	-	3,645,258	553,924	212,223	-	-	-	4,417,836
Foreign banks	230,898	-	159,289	332,741	17,987	118,489	145,571	-	1,004,975
Participation banks	154,548	-	-	-	-	-	-	-	154,548
Other	-	-	-	-	-	-	-	-	-
Total	20,635,404	-	18,065,108	59,942,157	3,987,300	3,473,828	5,906,200	-	112,009,997

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	18,055,649	15,480,662	15,233,065	12,863,935
Foreign currency saving deposits	4,884,738	4,788,666	12,124,187	11,939,036
Other saving deposits	-	-	-	-
Foreign branches’ deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	22,940,387	20,269,328	27,357,252	24,802,971

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	20,608	24,839
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	4,682	5,438
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	7,595	161	1,508	594
Swaps	235,138	488,552	123,057	150,342
Futures	-	-	-	-
Options	11,310	1,040	28,612	239
Other	-	-	-	-

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	-	-	-
Domestic banks and institutions	619,878	805,867	567,038	609,386
Foreign banks, institutions and funds	824,628	17,862,304	365,313	18,653,310
Total	1,444,506	18,668,171	932,351	19,262,696

Maturity information of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	721,972	1,621,649	479,073	2,024,300
Medium and Long-term (*)	722,534	17,046,522	453,278	17,238,396
Total	1,444,506	18,668,171	932,351	19,262,696

(*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 11.06% (31 December 2015: 11.70%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On 17 April 2015, the Parent Bank 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 and National Bank of Abu Dhabi PJSC 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 acting as coordinator and agent bank.

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

On 19 December 2014, the Parent 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.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs. 2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme. As at 30 June 2016, total securitization loan amounts to US Dollar 916 million and Euro 260 million.

Information on securities issued

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

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

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

Current Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,104,091	-	918,340	7,918,617
Cost	2,990,875	-	918,058	7,857,575
Net Book Value	3,059,296	-	919,539	7,935,788

Prior Period	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	3,332,669	-	946,566	6,388,240
Cost	3,198,134	-	946,565	6,341,816
Net Book Value	3,257,620	-	949,615	6,439,473

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- 4. Components of “other external resources payable” in the consolidated 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 consolidated financials do not exceed 10% of total liabilities and equity.

- 5. Criteria used in the determination of lease instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

Obligations under finance leases

None.

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

Negative differences related to the derivative financial liabilities held for risk management purpose

None.

- 7. Information on provisions**

Information on general provisions

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

Provision for currency exchange loss on foreign currency indexed loans

The Group has recorded provision amounting to TL 42,675 (31 December 2015: TL 17,160) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

As of 30 June 2016, the Parent Bank has recorded TL 46,042 (31 December 2015: TL 40,930) as provisions for non-cash loans that are not indemnified or converted into cash.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on other provisions

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	182,607	182,585
Specific provisions for non-cash loans	46,042	40,930
Provision for cheques	61,587	47,020
Provisions for lawsuits against the Bank	10,306	9,316
Provisions for credit card promotions	9,152	9,100
Other provisions	19,585	16,258
Total	329,279	305,209

8. Taxation

Current Taxes

As at and for the six-month period ended 30 June 2016, the tax liability of the Group is amounting to TL 334,997 (31 December 2015: TL 233,004).

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	334,997	233,004
Taxation on securities	152,407	151,721
Capital gains tax on property	2,757	2,477
Banking and Insurance Transaction Tax (BITT)	88,573	77,808
Taxes on foreign exchange transactions	-	-
Value added tax payable	4,465	4,879
Other	32,213	41,348
Total	615,412	511,237

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	916	811
Social security premiums- employer share	2,395	2,095
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	12	10
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	802	695
Unemployment insurance- employer share	1,723	1,503
Other	8	8
Total	5,856	5,122

Information on deferred tax liabilities

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

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

None.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on subordinated loans

The Parent 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 Parent 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 4,109,154 as of 30 June 2016 (31 December 2015: TL 4,155,551).

11. Information on shareholders’ equity

Paid-in capital

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

Paid-in capital of the Parent 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 is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. 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 the parent bank; if so the amount of registered share capital

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

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

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

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Capital commitments for current financial year and following period and its general purpose and estimated sources that are required for commitments

None

Prior period indicators of the Parent 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	38,301	-	39,342	-
Fair value differences of available-for-sale securities	30,134	287,794	(266,736)	257,405
Foreign exchange differences	-	-	-	-
Total	68,435	287,794	(227,394)	257,405

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

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period	Prior Period
Commitments for credit card limits	8,158,027	7,399,361
Loan granting commitments	8,976,990	8,494,747
Commitments for cheque payments	2,005,128	1,805,569
Asset purchase sale commitments	6,622,542	3,843,373
Other	1,851,528	1,507,923
Total	27,614,215	23,050,973

Type and amount of possible losses from off-balance sheet items

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

The Parent Bank provided specific provision amounting to TL 46,042 (31 December 2015: TL 40,930) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 131,129 (31 December 2015: TL 97,721).

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	9,617,952	9,289,202
Letters of guarantee for advances	3,761,022	3,438,136
Letters of guarantee given to custom offices	1,068,118	1,030,530
Provisional letters of guarantee	1,079,365	935,981
Other letters of guarantee	12,146,885	12,103,744
Total	27,673,342	26,797,593

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,009,949	2,899,661
<i>With original maturity of 1 year or less</i>	616,755	1,176,515
<i>With original maturity of more than 1 year</i>	1,393,194	1,723,146
Other non-cash loans	31,658,357	30,220,240
Total	33,668,306	33,119,901

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	77,709	0.33	249,411	2.42	87,249	0.39	132,021	1.20
Farming and cattle	74,273	0.32	238,545	2.31	82,686	0.37	132,021	1.20
Forestry	2,762	0.01	10,866	0.11	3,528	0.02	-	-
Fishing	674	-	-	-	1,035	-	-	-
Manufacturing	9,921,881	42.53	5,433,234	52.52	9,811,692	44.34	5,696,876	51.82
Mining	959,445	4.11	100,506	0.97	1,252,878	5.66	106,628	0.97
Production	6,035,222	25.87	4,910,210	47.47	5,526,001	24.97	5,309,883	48.30
Electric, gas and water	2,927,214	12.55	422,518	4.08	3,032,813	13.71	280,365	2.55
Construction	3,557,353	15.25	2,044,944	19.77	3,374,531	15.25	2,224,897	20.24
Services	8,376,667	35.91	2,379,231	23.00	8,030,112	36.30	2,523,158	22.95
Wholesale and retail trade	3,638,349	15.60	1,461,127	14.12	3,444,760	15.57	1,584,849	14.41
Hotel, food and beverage services	108,314	0.46	1,600	0.02	110,961	0.50	1,778	0.02
Transportation and Telecommunication	1,122,624	4.81	761,791	7.36	1,172,317	5.30	736,976	6.70
Financial institutions	2,309,075	9.90	39,641	0.38	2,090,603	9.45	38,056	0.35
Real estate and renting services	336,516	1.44	34,692	0.34	325,256	1.47	33,758	0.31
Self-employment services	584,679	2.51	73,075	0.71	610,338	2.76	110,414	1.00
Education services	18,037	0.08	2,654	0.03	23,752	0.11	4,018	0.04
Health and social services	259,073	1.11	4,651	0.04	252,125	1.14	13,309	0.12
Other	1,390,984	5.96	236,892	2.29	822,779	3.72	416,586	3.79
Total	23,324,594	99.98	10,343,712	100.00	22,126,363	100.00	10,993,538	100.00

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	22,779,991	4,444,012	272,904	48,347
Confirmed bills of exchange and acceptances	79,693	676,228	-	-
Letters of credit	2,639	5,032,949	-	118,343
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	63,308	2,531	-	-
Other guarantees and sureties	-	16,232	-	-
Total Non-Cash Loans	22,925,631	10,171,952	272,904	166,690

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	21,714,478	4,793,867	173,386	20,949
Confirmed bills of exchange and Letters of credit	86,762	1,388,757	-	-
Letters of credit	16,306	4,761,086	-	11,317
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	42,526	2,224	-	-
Other guarantees and sureties	-	10,522	-	-
Total Non-Cash Loans	21,860,072	10,956,456	173,386	32,266

5. Contingent assets and liabilities

Group allocates TL 10,306 as provision for lawsuits against the Group (31 December 2015: TL 9,316).

6. Services rendered on behalf of third parties

The Parent 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 Parent Bank’s custody services and banking transactions on behalf of individuals and corporate customers do not present a material portion.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	2,107,134	90,095	1,539,677	75,040
Medium and long-term loans	3,579,641	811,301	3,042,658	700,603
Non-performing loans	116,097	-	59,227	-
Premiums received from resource utilization support fund	-	-	-	-
Total	5,802,872	901,396	4,641,562	775,643

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	9	-	-
Domestic Banks	45,141	442	35,239	547
Foreign Banks	169	12,024	172	3,615
Foreign Head Office and Branches	-	-	-	-
Total	45,310	12,475	35,411	4,162

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	1,057	2,828	2,799	802
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	626,335	134,269	602,911	118,258
Investments held to maturity	341,833	584	337,504	205
Total	969,225	137,681	943,214	119,265

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	7	1

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Interest Expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	62,263	135,337	55,393	110,661
Central Bank of Republic of Turkey	-	-	-	-
Domestic Banks	28,881	8,340	31,497	4,871
Foreign Banks	33,382	126,997	23,896	105,790
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	20,189	-	10,669
Total	62,263	155,526	55,393	121,330

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	8,812	6,798

Interest expense on securities issued

As at and for the six-month period ended at 30 June 2016, interest paid to securities issued is TL 318,983 (30 June 2015: TL 276,361).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	165,355	153,628	122,993	153,368

Maturity structure of the interest expense on deposits

Current Period	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	20,063	54,834	21,454	777	896	-	98,024
Saving deposits	-	19,081	1,346,429	78,344	14,217	5,476	-	1,463,547
Public sector deposits	14,387	180,098	364,914	30,676	87,765	10,347	-	688,187
Commercial deposits	-	194,916	537,476	68,881	3,489	130	-	804,892
Other deposits	3	42,443	173,373	34,480	1,819	891	-	253,009
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	14,390	456,601	2,477,026	233,835	108,067	17,740	-	3,307,659
<i>FC</i>								
Foreign Currency deposits	12,142	16,248	193,647	14,866	10,214	46,973	-	294,090
Interbank deposits	217	38	893	836	363	8,224	-	10,571
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	12,359	16,286	194,540	15,702	10,577	55,197	-	304,661
Grand Total	26,749	472,887	2,671,566	249,537	118,644	72,937	-	3,612,320

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	13,269	70,549	-	4,182	4,182	-	92,182
Saving deposits	-	19,243	906,510	61,447	14,301	5,277	-	1,006,778
Public sector deposits	3,916	100,714	297,572	21,936	137,315	7,760	-	569,213
Commercial deposits	27	213,164	475,306	20,598	10,812	210	-	720,117
Other deposits	-	30,846	121,569	15,841	4,207	856	-	173,319
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	3,943	377,236	1,871,506	119,822	170,817	18,285	-	2,561,609
<i>FC</i>								
Foreign Currency deposits	12,147	14,772	146,903	16,425	13,506	48,505	-	252,258
Interbank deposits	-	10	1,363	201	5,129	-	-	6,703
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	12,147	14,782	148,266	16,626	18,635	48,505	-	258,961
Grand Total	16,090	392,018	2,019,772	136,448	189,452	66,790	-	2,820,570

3. Information on trading income/losses

	Current Period	Prior Period
Income	3,708,368	3,695,812
Income from capital market operations	1,725,536	1,295,136
Income from derivative financial instruments	1,332,587	1,118,133
Foreign exchange gains	650,245	1,282,543
Losses	(3,637,539)	(3,577,237)
Loss from capital market operations	(1,684,522)	(1,238,888)
Loss from derivative financial instruments	(1,354,593)	(1,121,813)
Foreign exchange loss	(598,424)	(1,216,536)
Net trading profit/loss	70,829	118,575

Net profit arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 10,873 as at and for the six-month period ended 30 June 2016 (30 June 2015: net loss of TL 17,713).

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Other operating income

	Current Period	Prior Period
Income from reversal of the specific provisions		
for loans from prior periods	376,828	426,121
Earned insurance premiums (net of reinsurance share)	424,133	373,910
Communication income	22,057	24,686
Gain on sale of assets(*)	129,031	39,359
Income from private pension business	36,860	31,596
Rent income	578	214
Other income	86,702	76,789
Total	1,076,189	972,675

(*) 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.

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	822,723	672,193
<i>Loans and receivables in Group III</i>	227,574	156,286
<i>Loans and receivables in Group IV</i>	250,649	452,430
<i>Loans and receivables in Group V</i>	344,500	63,477
Non-performing commissions and other receivables	-	-
General provision expenses	134,037	250,734
Provision for possible losses	-	-
Impairment losses on securities	3,399	3,061
<i>Trading securities</i>	4	7
<i>Investment securities available-for-sale</i>	3,395	3,054
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	13,264	12,103
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	13,264	12,103
Other (*)	38,007	68,999
Total	1,011,430	1,007,090

(*) Other provision expenses amounting to TL 38,007 (30 June 2015: TL 68,999) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 23,863 (30 June 2015: TL 17,273), other provision expenses related to loans amounting to TL 150 (30 June 2015: TL 44,025) and other provision expenses amounting to TL 13,994 (30 June 2015: TL 7,701).

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Other operating expenses

	Current Period	Prior Period
Personnel costs	820,717	743,133
Reserve for employee termination benefits	33,993	29,786
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses on tangible assets	69,017	64,895
Impairment losses on intangible assets	173	-
Amortization expenses on intangible assets	12,446	9,928
Impairment losses on assets to be disposed	3,408	3,698
Depreciation expenses on assets to be disposed	10,224	7,944
Impairment losses on assets held for sale	-	-
Other operating expenses	965,387	1,006,114
<i>Operational lease related expenses</i>	<i>114,441</i>	<i>104,027</i>
<i>Repair and maintenance expenses</i>	<i>23,701</i>	<i>17,996</i>
<i>Advertisement expenses</i>	<i>39,540</i>	<i>38,301</i>
<i>Other expenses</i>	<i>787,705</i>	<i>845,790</i>
Loss on sale of assets	1,186	252
Other ^(*)	541,859	547,392
Total	2,458,410	2,413,142

(*) Other operating expenses amounting to TL 541,859 (30 June 2015: TL 547,392) is comprised of provision expenses for dividends to the personnel amounting to TL 75,556 (30 June 2015: TL 68,914), tax, fees and funds expenses amounting to TL 73,488 (30 June 2015: TL 64,935), Saving Deposits Insurance Fund expenses amounting to TL 66,818 (30 June 2015: TL 55,517) and other operating expenses amounting to TL 325,997 (30 June 2015: TL 358,026).

7. Provision for taxes

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

In the current period, the Group recorded a tax provision of TL 435,475 (30 June 2015: TL 129,040) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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	59,310	(61,531)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	78,857	(57,663)
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	138,167	(119,194)

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Net profit and loss

Any further explanation on operating results needed for a proper understanding of the Bank’s performance

Group has incurred TL 8,036,310 interest income and TL 4,802,288 interest expense, also incurred TL 407,056 amount of net fee and commission income from its ordinary banking operations (30 June 2015: TL 6,618,599 interest income, TL 3,830,375 interest expense, TL 424,640 net fee and commission income).

Any changes in estimations, that might have a material effect on current and subsequent period, is indicated

None.

9. Income/loss related to non-controlling interest

	Current Period	Prior Period
Income/(losses) related to non-controlling interest	(20,905)	(95,553)

10. Information related to the sub-accounts which constitute at least 20% of other items, in case of the components of other items in the income statement exceeding 10% of the group total

Other fees and commission income of the Group mainly consist of credit card fees and commissions, money transfer commissions, research fees.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions, commission paid for funds borrowed from foreign banks.

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

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Information on loans and other receivables held by Parent Bank’s risk group

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	1,071	811,349	-	28,550	822	15,858
Balance at the end of the year	4,351	808,720	-	29,957	2,200	23,556
Interest and commission income	7	253	-	30	-	24

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	16	657,200	-	10,174	6,239	13,086
Balance at the end of the year	1,071	811,349	-	28,550	822	15,858
Interest and commission income	1	222	-	30	-	12

Information on deposits held by the Parent Bank’s risk group

The Parent Bank’s Risk Group	Associates and 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 year	475,233	187,127	740,156	713,966	104,508	115,831
Balance at the end of the year	943,496	475,233	812,083	740,156	111,100	104,508
Interest on deposits	8,812	6,798	31,392	20,202	349	1,735

Information on forwards, options and other derivative transactions held by the Parent Bank’s risk group

None.

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

Relations with entities in the risk group of / or controlled by the Parent 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.

The branches of the Bank are agencies of Güneş Sigorta A.Ş. and Vakıf Emeklilik A.Ş.. Vakıf Yatırım Menkul Değerler A.Ş. engages with the management of the funds established by the Bank.

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.005% (31 December 2015: 0.001%) and 2.561% (31 December 2015: 2.584%) respectively.

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

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

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

DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Current Period	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	6,551		0.005
Non-Cash Loans	862,233		2.561
Deposits	1,866,679		1.610

Prior Period	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	1,893		0.001
Non-Cash Loans	855,757		2.584
Deposits	1,319,897		1.178

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

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

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

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

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

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

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

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

(*) Dates represent last report dates.

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

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

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

OTHER DISCLOSURES AND FOOTNOTES (Continued)

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

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

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

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

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

Bonds have been issued on 22 April 2016 amounting TL 200 million (Full TL) with 96 days maturity, on 29 July 2016 amounting 787,030 million (Full TL) with 126 days maturity, on 29 July 2016 17 million (Full TL) with 217 days to maturity.

IV. THE EFFECTS OF SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS SUBSEQUENT TO REPORTING DATE, THAT EFFECT THE DECISION OF USERS OF FINANCIAL STATEMENTS, ON THE PARENT BANK’S FOREIGN OPERATIONS, FINANCIAL STATEMENTS AND FOREIGN CURRENCY TRANSACTIONS

None.

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

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

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

SECTION SEVEN

INDEPENDENT AUDITORS’ REVIEW REPORT

I. INFORMATION ON LIMITED REVIEW REPORT

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

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

SECTION EIGHT

INFORMATION ON CONSOLIDATED INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED THE PARENT BANK'S CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES

Amounts expressed in full TL and consolidated basis unless otherwise stated in regard to information on consolidated interim activity report.

VakıfBank in brief:

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

VakıfBank Organizational Structure:

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED THE PARENT BANK'S CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (Continued)

Consolidated Subsidiaries and Associates:

The subsidiaries and associates included in the consolidated financial report are as follows:

SUBSIDIARIES	ASSOCIATES
Güneş Sigorta A.Ş.	Kıbrıs Vakıflar Bankası Ltd.
Vakıf Emeklilik A.Ş.	Türkiye Sınai Kalkınma Bankası A.Ş.
Vakıf Faktoring A.Ş.	
Vakıf Finansal Kiralama A.Ş.	
Vakıf Portföy Yönetimi A.Ş.	
Vakıf Yatırım Menkul Değerler A.Ş.	
VakıfBank International AG	
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	

Members of the Board of Directors:

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

Members of Audit Board:

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED THE PARENT BANK'S CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (Continued)

Members of Audit Committee:

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

Management:

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

In the 62nd Ordinary General Assembly meeting of the Parent Bank held on March 29, 2016, duties of Şeref AKSAÇ (Board member) and Mehmet HALTAŞ (Audit Board member) have left their position. In the same meeting, as per the resolution, Dilek YÜKSEL has been appointed as a member of the Board of Directors and Mehmet Emin BAYSA has been appointed as a member of Audit Board.

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED THE PARENT BANK'S CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (Continued)

Significant Financial Indicators (Unconsolidated):

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

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

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

Assessment of the Chairman of the Board of Directors:

Esteemed Stakeholders,

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

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

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

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

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

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

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

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

Yours sincerely,

Ramazan GÜNDÜZ
Chairman of the Board of Directors

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

Assessment of the General Manager:

Esteemed Stakeholders,

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

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

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

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

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

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

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

Best regards,

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

Assessment of Financial Status (Consolidated):

The Group has continued with its growth in the second quarter of 2016 without compromising asset quality, and increased its total assets to TL 200,195 million. In this period, cash and non-cash loans reached TL 130,979 million, and TL 33,668 million, respectively, thus total loans reached TL 164,647 million. Share of total loans in total assets is 65.43%. In terms of loan breakdown, commercial loans have increased to TL 92,105 million, while retail loans have increased to TL 38,873 million.

The Group has maintained its strong profitability and funding structure as well as asset quality in the second quarter of 2016. In this period, average return on assets realized at 1.13%, while average return on equity was 12.49%, and capital adequacy ratio was 14.16%.

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

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

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

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

In the second quarter of 2016, the Group increased the deposits, the most important source of funding, by 3.53% to TL 115,963 million. In this period, the Group has delivered TL 1,103 million net income, thus increasing its income by 66.42% compared to the same period of last year. In this period, interest income and interest expense increased by 21.42% and 25.37%, respectively.

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

Affiliates and Subsidiaries:

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

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

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

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

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

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

Amendment of Articles of Incorporation:

OLD TEXT

Address of Head Office

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

NEW TEXT

Address of Head Office

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

Ratings:

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

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

(*) Dates represent last report dates.

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 30 JUNE 2016

Other Issues:

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

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

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

TL thousand	2015 Profit Distribution Table
Bank's unconsolidated profit in its statutory financial statements	1,930,109
Net profit subject to distribution	1,930,109
Legal Reserves	193,012
<i>First legal reserves</i>	96,506
<i>Reserves allocated according to the Bank's law and Articles of Incorporation</i>	96,506
Shares to be distributed to shareholders	1,737,097
Gain on sale of real estate and shares of associates and subsidiaries	1,660
Extraordinary reserves	1,635,437
Dividend to shareholders	100,000

Investor Relations Attendants:

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

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