

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
AND ITS FINANCIAL SUBSIDIARIES**

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2015**

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF THE  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

**To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı;  
Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2015 and the related consolidated statement of income, consolidated income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Consolidated Financial Statements*

Bank management is responsible for the preparation and fair presentation of the consolidated 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, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Independent Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



**pwc**

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its subsidiaries as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

**Report on Other Responsibilities Arising From Regulatory Requirements**

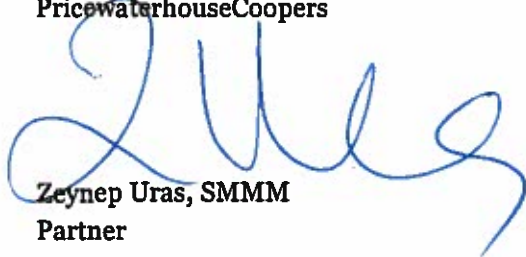
In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

**Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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, 25 February 2016

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

**CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
AND ITS FINANCIAL SUBSIDIARIES  
AS OF 31 DECEMBER 2015**

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](http://www.vakifbank.com.tr)  
Electronic mail address : [posta@vakifbank.com.tr](mailto:posta@vakifbank.com.tr)

The consolidated financial report as at and for the year ended 31 December 2015 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 FINANCIAL STATEMENTS
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE YEAR
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

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

<b>SUBSIDIARIES</b>	<b>ASSOCIATES</b>
Güneş Sigorta A.Ş.	Kıbrıs Vakıflar Bankası Ltd.
Vakıf Emeklilik A.Ş.	Türkiye Sınai Kalkınma Bankası A.Ş.
Vakıf Factoring 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 financial statements and related disclosures and footnotes as at and for the year ended 31 December 2015 that were independently audited, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial report is presented in thousands of Turkish Lira (TL), and has been independently audited.

25 February 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 consolidated financial report:

Name-Surname/Title: S. Buğra SÜRÜEL / Manager	Name-Surname/Title: Burcu Sütcü AKDAĞ / Manager Ast.
Phone no : 0312 591 11 48	Phone no : +90 312 591 11 93
Fax no : 0312 591 20 01	Fax no : +90 312 591 20 01

	<b>Page No:</b>
<b><u>SECTION ONE</u></b>	
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 communicate 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
<b><u>SECTION TWO</u></b>	
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
VIII. Consolidated statement of profit distribution	14
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	15
II. Strategy for the use of financial instruments and information on foreign currency transactions	16
III. Information on associates that are consolidated and subsidiaries that are accounted according to equity method	17-18
IV. Information on forwards, options and other derivative transactions	18
V. Information on interest income and expenses	19
VI. Information on fees and commissions	19
VII. Information on financial assets	19-20
VIII. Information on impairment of financial assets	21
IX. Information on offsetting of financial instruments	21
X. Information on sales and repurchase agreements and securities lending	21
XI. Information on assets held for sale and discontinued operations	21
XII. Information on goodwill and other intangible assets	22
XIII. Information on tangible assets	22-23
XIV. Information on investment properties	23
XV. Information on leasing activities	23
XVI. Information on provisions, contingent assets and liabilities	24
XVII. Information on obligations of the Group concerning employee rights	24-25
XVIII. Information on taxation	26-27
XIX. Information on cash and cash equivalents	27
XX. Additional information on borrowings	28
XXI. Information on issuance of equity securities	28
XXII. Information on confirmed bills of exchange and acceptances	28
XXIII. Information on government incentives	28
XXIV. Information on segment reporting	28
XXV. Other matters	28-30
<b><u>SECTION FOUR</u></b>	
Information Related to the Financial Position of the Group	
I. Consolidated capital adequacy ratio	31-38
II. Consolidated credit risk	38-50
III. Consolidated market risk	50-52
IV. Consolidated operational risk	52
V. Consolidated foreign currency exchange risk	53-55
VI. Consolidated interest rate risk	56-61
VII. Consolidated liquidity risk and liquidity coverage ratio	61-69
VIII. Fair values on financial assets and liabilities	69-71
IX. Transactions carried out on behalf of customers, items held in trust	71
X. Consolidated segment reporting	71-73
<b><u>SECTION FIVE</u></b>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	74-92
II. Information and disclosures related to consolidated liabilities	93-101
III. Information and disclosures related to consolidated off-balance sheet items	101-105
IV. Information and disclosures related to consolidated statement of income	105-110
V. Information and disclosures related to statement of changes in shareholders' equity	111
VI. Information and disclosures related to statement of cash flows	112-113
VII. Information and disclosures related to Parent Bank's risk group	113-114
VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices of the Parent Bank	115
<b><u>SECTION SIX</u></b>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	116
II. Information on the Parent Bank's rating given by international credit rating institutions	116
III. Significant events and matters subsequent to balance sheet date that are not resulted	117
IV. Significant foreign currency exchange rate fluctuations that are subsequent to reporting date	117
<b><u>SECTION SEVEN</u></b>	
Auditors' Review Report	
I. Information on Auditors' Review Report	117

**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 YEAR ENDED 31 DECEMBER 2015**

(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 31 December 2015 and 31 December 2014, 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 31 December 2015 is stated below:

Shareholders	31 December 2015		
	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)	3,091,997	3,092	0.13
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)	630,090,616	630,091	25.20
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

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 YEAR ENDED 31 DECEMBER 2015

(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
<b><u>Board of Directors</u></b>				
Ramazan GÜNDÜZ	Chairman	29 March 2013	University	37 years
Mehmet Emin ÖZCAN	Deputy Chairman	29 March 2013	University	32 years
Halil AYDOĞAN	Member – General Manager	29 March 2013	University	38 years
İsmail ALPTEKİN	Member	6 April 2009	University	17 years
Dr.Adnan ERTEM	Member	28 October 2010	PHD	27 years
Sabahattin BİRDAL	Member	31 March 2014	University	38 years
Öztürk ORAN	Member	30 April 2014	University	40 years
Şeref AKSAÇ	Member	30 April 2014	University	33 years
<b><u>Audit Committee</u></b>				
Mehmet Emin ÖZCAN	Member	4 April 2014	University	32 years
Sabahattin BİRDAL	Member	4 April 2014	University	38 years
<b><u>Auditors</u></b>				
Mehmet HALTAŞ	Auditor	19 March 2010	University	38 years
Yunus ARINCI	Auditor	19 March 2010	Master	18 years
<b><u>Assistant Managers</u></b>				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant	13 June 2006	PHD	20 years
Hasan ECESÖY	Treasury, International Relations and Investor Relations, Coordination of Foreign Branches	18 June 2010	PHD	22 years
Serdar SATOĞLU	Private Banking, Subsidiaries	2 July 2010	PHD	20 years
Ali Engin EROĞLU	Application Development Departments, System Management, IT Operations and Support, IT Services Planning Department, IT Process Management and Compliance Directorate, Project Management Directorate, Information Security Directorate	18 August 2010	Master	19 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	6 April 2011	Master	25 years
Muhammet Lütfü ÇELEBİ	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Insurance Banking	23 October 2013	University	20 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels, Retail Banking, Payment Systems, Payment System Operations	28 October 2013	University	22 years
Mehmet Emin KARAAĞAÇ	Loans and Follow-up, Legal Affairs	8 November 2013	University	26 years

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED 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 YEAR ENDED 31 DECEMBER 2015**

(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 Parent Bank’s first Board of Directors after 61st Ordinary Meeting of the General Assembly dated 30 March 2015, the distribution of roles has remained the same.

İsmail Alptekin, Member of the Board, 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 Bank.

**IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS**

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

The shareholder holding control over the 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 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 31 December 2015, The Parent Bank has 917 domestic, 3 foreign, in total 920 branches (31 December 2014: 890 domestic, 3 foreign, in total 893 branches). As at 31 December 2015, The Parent Bank has 15,410 employees (31 December 2014: 14,920 employees).



**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 YEAR ENDED 31 DECEMBER 2015**

(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 year ended 31 December 2015, 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 year ended 31 December 2015, 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  
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 YEAR ENDED 31 DECEMBER 2015**

(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 31 DECEMBER 2015  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

	ASSETS	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>V-I-1</b>	<b>2,134,017</b>	<b>19,355,897</b>	<b>21,489,914</b>	<b>4,126,368</b>	<b>17,764,713</b>	<b>21,891,081</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>V-I-2</b>	<b>840,168</b>	<b>155,694</b>	<b>995,862</b>	<b>404,672</b>	<b>45,569</b>	<b>450,241</b>
2.1	Financial assets held for trading purpose		840,168	155,694	995,862	404,672	45,569	450,241
2.1.1	Debt securities issued by the governments		312	9,566	9,878	106	8,468	8,574
2.1.2	Equity securities		1,832	-	1,832	1,565	-	1,565
2.1.3	Derivative financial assets held for trading purpose	V-I-2	739,339	146,128	885,467	342,475	37,101	379,576
2.1.4	Other securities		98,685	-	98,685	60,526	-	60,526
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		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	<b>V-I-3</b>	<b>1,185,799</b>	<b>4,990,220</b>	<b>6,176,019</b>	<b>784,978</b>	<b>2,783,530</b>	<b>3,568,508</b>
<b>IV.</b>	<b>RECEIVABLES FROM INTERBANK MONEY MARKETS</b>		<b>6,699</b>	<b>-</b>	<b>6,699</b>	<b>9,504</b>	<b>-</b>	<b>9,504</b>
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		3,310	-	3,310	3,645	-	3,645
4.3	Receivables from reverse repurchase agreements		3,389	-	3,389	5,859	-	5,859
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>V-I-4</b>	<b>12,100,346</b>	<b>5,235,765</b>	<b>17,336,111</b>	<b>12,631,871</b>	<b>4,239,244</b>	<b>16,871,115</b>
5.1	Equity securities		15	79,238	79,253	15	-	15
5.2	Debt securities issued by the governments		12,100,331	5,028,990	17,129,321	12,629,806	4,085,677	16,715,483
5.3	Other securities		-	127,537	127,537	2,050	153,567	155,617
<b>VI.</b>	<b>LOANS AND RECEIVABLES</b>	<b>V-I-5</b>	<b>88,452,140</b>	<b>37,507,539</b>	<b>125,959,679</b>	<b>76,724,198</b>	<b>29,631,473</b>	<b>106,355,671</b>
6.1	Performing loans and receivables	V-I-5	87,548,356	37,502,389	125,050,745	76,408,786	29,626,228	106,035,014
6.1.1	Loans provided to risk group	V-VII-1	1,071	822	1,893	6,132	123	6,255
6.1.2	Debt securities issued by the governments		-	-	-	-	-	-
6.1.3	Other		87,547,285	37,501,567	125,048,852	76,402,654	29,626,105	106,028,759
6.2	Loans under follow-up		5,071,771	66,342	5,138,113	4,153,756	28,209	4,181,965
6.3	Specific provisions (-)	V-I-5	4,167,987	61,192	4,229,179	3,838,344	22,964	3,861,308
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>622,754</b>	<b>94,973</b>	<b>717,727</b>	<b>498,067</b>	<b>12,314</b>	<b>510,381</b>
<b>VIII.</b>	<b>HELD-TO-MATURITY INVESTMENT SECURITIES (Net)</b>	<b>V-I-6</b>	<b>7,546,748</b>	<b>130,981</b>	<b>7,677,729</b>	<b>6,761,749</b>	<b>92,844</b>	<b>6,854,593</b>
8.1	Debt securities issued by the governments		7,546,748	-	7,546,748	6,761,749	-	6,761,749
8.2	Other securities		-	130,981	130,981	-	92,844	92,844
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	<b>V-I-7</b>	<b>295,332</b>	<b>3</b>	<b>295,335</b>	<b>264,184</b>	<b>3</b>	<b>264,187</b>
9.1	Associates, consolidated per equity method		245,549	-	245,549	214,929	-	214,929
9.2	Unconsolidated associates		49,783	3	49,786	49,255	3	49,258
9.2.1	Financial associates		37,434	-	37,434	36,915	-	36,915
9.2.2	Non-Financial associates		12,349	3	12,352	12,340	3	12,343
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>V-I-8</b>	<b>271,017</b>	<b>-</b>	<b>271,017</b>	<b>258,927</b>	<b>-</b>	<b>258,927</b>
10.1	Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated non-financial subsidiaries		271,017	-	271,017	258,927	-	258,927
<b>XI.</b>	<b>INVESTMENTS IN JOINT-VENTURES (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial joint-ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES</b>	<b>V-I-10</b>	<b>318,359</b>	<b>1,007,466</b>	<b>1,325,825</b>	<b>246,618</b>	<b>843,369</b>	<b>1,089,987</b>
12.1	Finance lease receivables		401,084	1,134,987	1,536,071	311,605	962,197	1,273,802
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		82,725	127,521	210,246	64,987	118,828	183,815
<b>XIII.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-I-11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>V-I-12</b>	<b>1,648,900</b>	<b>5,218</b>	<b>1,654,118</b>	<b>782,871</b>	<b>2,002</b>	<b>784,873</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>V-I-13</b>	<b>201,506</b>	<b>31</b>	<b>201,537</b>	<b>162,074</b>	<b>161</b>	<b>162,235</b>
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		201,506	31	201,537	162,074	161	162,235
<b>XVI.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>V-I-14</b>	<b>287,726</b>	<b>-</b>	<b>287,726</b>	<b>192,000</b>	<b>-</b>	<b>192,000</b>
<b>XVII.</b>	<b>TAX ASSETS</b>	<b>V-I-15</b>	<b>139,972</b>	<b>2,944</b>	<b>142,916</b>	<b>175,352</b>	<b>6,938</b>	<b>182,290</b>
17.1	Current tax assets	V-I-15	787	2,944	3,731	2,393	6,938	9,331
17.2	Deferred tax assets	V-I-15	139,185	-	139,185	172,959	-	172,959
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-16</b>	<b>994,991</b>	<b>-</b>	<b>994,991</b>	<b>747,482</b>	<b>-</b>	<b>747,482</b>
18.1	Assets held for sale		994,991	-	994,991	747,482	-	747,482
18.2	Assets related to the discontinued operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	<b>V-I-17</b>	<b>2,789,299</b>	<b>1,263,054</b>	<b>4,052,353</b>	<b>2,523,844</b>	<b>834,543</b>	<b>3,358,387</b>
<b>TOTAL ASSETS</b>			<b>119,835,773</b>	<b>69,749,785</b>	<b>189,585,558</b>	<b>107,294,759</b>	<b>56,256,703</b>	<b>163,551,462</b>

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 31 DECEMBER 2015  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

		Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014			
LIABILITIES AND EQUITY		Notes	TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>V-II-1</b>	<b>76,054,788</b>	<b>35,955,209</b>	<b>112,009,997</b>	<b>65,144,101</b>	<b>28,258,512</b>	<b>93,402,613</b>
1.1	Deposits of risk group	V-VII-1	1,209,289	110,608	1,319,897	953,746	63,178	1,016,924
1.2	Other deposits		74,845,499	35,844,601	110,690,100	64,190,355	28,195,334	92,385,689
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	<b>V-II-2</b>	<b>153,177</b>	<b>151,175</b>	<b>304,352</b>	<b>65,776</b>	<b>204,851</b>	<b>270,627</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>V-II-3</b>	<b>932,351</b>	<b>19,262,696</b>	<b>20,195,047</b>	<b>1,569,623</b>	<b>14,691,032</b>	<b>16,260,655</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>9,423,761</b>	<b>3,403,437</b>	<b>12,827,198</b>	<b>10,063,573</b>	<b>6,591,668</b>	<b>16,655,241</b>
4.1	Interbank money market takings		1,150,343	-	1,150,343	200,000	-	200,000
4.2	Istanbul Stock Exchange money market takings		83,157	-	83,157	269,939	-	269,939
4.3	Obligations under repurchase agreements		8,190,261	3,403,437	11,593,698	9,593,634	6,591,668	16,185,302
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>	<b>V-II-3</b>	<b>3,257,620</b>	<b>7,389,088</b>	<b>10,646,708</b>	<b>2,866,343</b>	<b>7,518,365</b>	<b>10,384,708</b>
5.1	Bills		3,257,620	-	3,257,620	2,866,343	-	2,866,343
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	7,389,088	7,389,088	-	7,518,365	7,518,365
<b>VI.</b>	<b>FUNDS</b>		<b>4,228</b>	<b>-</b>	<b>4,228</b>	<b>20,089</b>	<b>-</b>	<b>20,089</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Other		4,228	-	4,228	20,089	-	20,089
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>3,647,401</b>	<b>750,360</b>	<b>4,397,761</b>	<b>2,920,619</b>	<b>423,800</b>	<b>3,344,419</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	<b>V-II-4</b>	<b>662,279</b>	<b>1,783,682</b>	<b>2,445,961</b>	<b>573,091</b>	<b>947,128</b>	<b>1,520,219</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>LEASE PAYABLES</b>	<b>V-II-5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance leasing expenses ( - )		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	<b>V-II-6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>		<b>5,025,269</b>	<b>31,277</b>	<b>5,056,546</b>	<b>4,086,058</b>	<b>25,879</b>	<b>4,111,937</b>
12.1	General provisions	V-II-7	1,944,150	13,453	1,957,603	1,591,002	12,240	1,603,242
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		700,635	1,544	702,179	626,273	838	627,111
12.4	Insurance technical provisions (Net)		2,082,428	9,127	2,091,555	1,633,739	8,973	1,642,712
12.5	Other provisions	V-II-7	298,056	7,153	305,209	235,044	3,828	238,872
<b>XIII.</b>	<b>TAX LIABILITIES</b>	<b>V-II-8</b>	<b>531,561</b>	<b>7,888</b>	<b>539,449</b>	<b>485,576</b>	<b>8,419</b>	<b>493,995</b>
13.1	Current tax liabilities		514,681	1,678	516,359	477,758	1,029	478,787
13.2	Deferred tax liabilities	V-I-15	16,880	6,210	23,090	7,818	7,390	15,208
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>V-II-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>V-II-10</b>	<b>-</b>	<b>4,155,551</b>	<b>4,155,551</b>	<b>-</b>	<b>2,126,436</b>	<b>2,126,436</b>
<b>XVI.</b>	<b>EQUITY</b>		<b>16,437,456</b>	<b>565,299</b>	<b>17,002,755</b>	<b>14,408,274</b>	<b>552,249</b>	<b>14,960,523</b>
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		1,390,356	257,405	1,647,761	1,025,056	280,801	1,305,857
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	(227,394)	257,405	30,011	240,729	280,801	521,530
16.2.4	Revaluation surplus on tangible assets		940,657	-	940,657	52,864	-	52,864
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		(54,370)	-	(54,370)	-	-	-
16.3	Profit reserves		10,163,563	170,099	10,333,662	8,664,406	130,184	8,794,590
16.3.1	Legal reserves		1,228,224	7,942	1,236,166	1,062,732	6,513	1,069,245
16.3.2	Status reserves		6,337	-	6,337	6,337	-	6,337
16.3.3.	Extraordinary reserves		8,475,454	4,594	8,480,048	7,341,533	4,594	7,346,127
16.3.4.	Other profit reserves		453,548	157,563	611,111	253,804	119,077	372,881
16.4	Profit or loss		1,921,411	94,530	2,015,941	1,772,859	101,133	1,873,992
16.4.1	Prior years' profit/loss		(34,277)	101,630	67,353	(14,354)	82,669	68,315
16.4.2	Current period's profit/loss		1,955,688	(7,100)	1,948,588	1,787,213	18,464	1,805,677
16.5	Non-controlling interest		462,126	43,265	505,391	445,953	40,131	486,084
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>116,129,891</b>	<b>73,455,667</b>	<b>189,585,558</b>	<b>102,203,123</b>	<b>61,348,339</b>	<b>163,551,462</b>

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 31 DECEMBER 2015**

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

	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>54,303,859</b>	<b>64,173,751</b>	<b>118,477,610</b>	<b>42,988,855</b>	<b>49,879,901</b>	<b>92,868,756</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>V-III-2-4</b>	<b>22,126,363</b>	<b>10,993,538</b>	<b>33,119,901</b>	<b>16,892,950</b>	<b>11,782,097</b>	<b>28,675,047</b>
1.1 Letters of guarantee	V-III-1	21,980,769	4,816,824	26,797,593	16,842,349	4,616,458	21,458,807
1.1.1 Guarantees subject to State Tender Law		2,542,809	2,199,589	4,742,398	1,869,107	2,266,261	4,135,368
1.1.2 Guarantees given for foreign trade operations		1,030,530	-	1,030,530	913,389	-	913,389
1.1.3 Other letters of guarantee		18,407,430	2,617,235	21,024,665	14,059,853	2,350,197	16,410,050
1.2 Bank acceptances		86,762	1,389,251	1,476,013	20,836	1,943,257	1,964,093
1.2.1 Import letter of acceptance		1,590	189,471	191,061	2,190	78,990	81,180
1.2.2 Other bank acceptances		85,172	1,199,780	1,284,952	18,646	1,864,267	1,882,913
1.3 Letters of credit		16,306	4,772,403	4,788,709	-	5,212,911	5,212,911
1.3.1 Documentary letters of credit		16,306	4,772,403	4,788,709	-	5,212,911	5,212,911
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,314	2,314	-	1,845	1,845
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		42,526	2,224	44,750	29,765	5,023	34,788
1.8 Other guarantees		-	10,522	10,522	-	2,603	2,603
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>21,560,921</b>	<b>13,287,107</b>	<b>34,848,028</b>	<b>19,426,933</b>	<b>7,734,462</b>	<b>27,161,395</b>
2.1 Irrevocable commitments		19,153,861	3,897,112	23,050,973	17,917,041	2,878,768	20,795,809
2.1.1 Asset purchase commitments	V-III-1	112,420	3,730,953	3,843,373	46,228	2,640,634	2,686,862
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	8,482,816	11,931	8,494,747	8,053,342	14,859	8,068,201
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	1,805,569	-	1,805,569	1,638,976	-	1,638,976
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	7,399,361	-	7,399,361	7,641,987	-	7,641,987
2.1.10 Commitments for credit card and banking operations promotions		196,037	-	196,037	247,938	-	247,938
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		1,157,658	154,228	1,311,886	288,570	223,275	511,845
2.2 Revocable commitments		2,407,060	9,389,995	11,797,055	1,509,892	4,855,694	6,365,586
2.2.1 Revocable loan granting commitments		2,407,060	9,389,995	11,797,055	1,509,892	4,817,757	6,327,649
2.2.2 Other revocable commitments		-	-	-	-	37,937	37,937
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-5</b>	<b>10,616,575</b>	<b>39,893,106</b>	<b>50,509,681</b>	<b>6,668,972</b>	<b>30,363,342</b>	<b>37,032,314</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		10,616,575	39,893,106	50,509,681	6,668,972	30,363,342	37,032,314
3.2.1 Forward foreign currency purchases/sales		211,514	257,246	468,760	242,929	312,275	555,204
3.2.1.1 Forward foreign currency purchases		106,014	128,693	234,707	121,619	156,202	277,821
3.2.2.2 Forward foreign currency sales		105,500	128,553	234,053	121,310	156,073	277,383
3.2.2 Currency and interest rate swaps		9,535,325	31,037,511	40,572,836	5,782,733	22,857,662	28,640,395
3.2.2.1 Currency swaps-purchases		4,474,398	12,245,882	16,720,280	1,810,386	11,235,508	13,045,894
3.2.2.2 Currency swaps-sales		4,160,927	6,377,871	10,538,798	3,772,347	4,343,916	8,116,263
3.2.2.3 Interest rate swaps-purchases		450,000	6,206,879	6,656,879	100,000	3,639,119	3,739,119
3.2.2.4 Interest rate swaps-sales		450,000	6,206,879	6,656,879	100,000	3,639,119	3,739,119
3.2.3 Currency, interest rate and security options		258,134	255,396	513,530	385,290	671,258	1,056,548
3.2.3.1 Currency call options		65,004	185,976	250,980	192,645	335,629	528,274
3.2.3.2 Currency put options		193,130	69,420	262,550	192,645	335,629	528,274
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		611,602	8,342,953	8,954,555	258,020	6,522,147	6,780,167
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>900,903,931</b>	<b>422,152,366</b>	<b>1,323,056,297</b>	<b>707,625,482</b>	<b>298,960,692</b>	<b>1,006,586,174</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>75,156,434</b>	<b>3,413,733</b>	<b>78,570,167</b>	<b>59,034,803</b>	<b>2,220,606</b>	<b>61,255,409</b>
4.1 Customers' securities held		682,348	28,306	710,654	519,902	22,567	542,469
4.2 Investment securities held in custody		63,234,788	118,086	63,352,874	48,314,735	94,082	48,408,817
4.3 Checks received for collection		9,151,798	2,345,788	11,497,586	8,405,605	1,486,159	9,891,764
4.4 Commercial notes received for collection		1,265,535	450,126	1,715,661	1,197,188	254,511	1,451,699
4.5 Other assets received for collection		2,152	116	2,268	2,152	93	2,245
4.6 Assets received through public offering		-	-	-	-	6,818	6,818
4.7 Other items under custody		24,796	66,158	90,954	17,091	87,256	104,347
4.8 Custodians		795,017	405,153	1,200,170	578,130	269,120	847,250
<b>V. PLEDGED ITEMS</b>		<b>235,457,258</b>	<b>82,272,386</b>	<b>317,729,644</b>	<b>180,417,729</b>	<b>59,408,743</b>	<b>239,826,472</b>
5.1 Securities		435,618	14,171	449,789	242,862	18,614	261,476
5.2 Guarantee notes		793,282	429,076	1,222,358	944,683	232,965	1,177,648
5.3 Commodities		28,164,121	681,732	28,845,853	25,696,626	590,812	26,287,438
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		191,799,623	67,309,165	259,108,788	142,345,512	47,319,679	189,665,191
5.6 Other pledged items		13,661,436	13,683,601	27,345,037	10,335,024	11,114,594	21,449,618
5.7 Pledged items-depository		603,178	154,641	757,819	853,022	132,079	985,101
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>590,290,239</b>	<b>336,466,247</b>	<b>926,756,486</b>	<b>468,172,950</b>	<b>237,331,343</b>	<b>705,504,293</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>955,207,790</b>	<b>486,326,117</b>	<b>1,441,533,907</b>	<b>750,614,337</b>	<b>348,840,593</b>	<b>1,099,454,930</b>

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 YEAR ENDED 31 DECEMBER 2015**

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

	Notes	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
<b>I. INTEREST INCOME</b>		<b>13,973,432</b>	<b>11,664,524</b>
1.1 Interest income from loans	V-IV-1	11,598,337	9,393,240
1.2 Interest income from reserve deposits		38,684	2,015
1.3 Interest income from banks	V-IV-1	78,724	67,307
1.4 Interest income from money market transactions		1,633	931
1.5 Interest income from securities portfolio	V-IV-1	2,072,208	2,061,241
1.5.1 Trading financial assets	V-IV-1	6,775	11,253
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets	V-IV-1	1,409,589	1,489,664
1.5.4 Held-to-maturity investments	V-IV-1	655,844	560,324
1.6 Finance lease income		102,526	80,667
1.7 Other interest income		81,320	59,123
<b>II. INTEREST EXPENSE</b>		<b>8,238,164</b>	<b>6,809,744</b>
2.1 Interest expense on deposits	V-IV-2	6,115,699	5,043,936
2.2 Interest expense on funds borrowed	V-IV-2	362,500	243,009
2.3 Interest expense on money market transactions		886,728	925,913
2.4 Interest expense on securities issued	V-IV-2	595,176	445,715
2.5 Other interest expenses		278,061	151,171
<b>III. NET INTEREST INCOME (I – II)</b>		<b>5,735,268</b>	<b>4,854,780</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>870,329</b>	<b>674,456</b>
4.1 Fees and commissions received		1,351,513	1,109,503
4.1.1 Non-cash loans		186,784	162,970
4.1.2 Others		1,164,729	946,533
4.2 Fees and commissions paid		481,184	435,047
4.2.1 Non-cash loans		1,148	918
4.2.2 Others		480,036	434,129
<b>V. DIVIDEND INCOME</b>	<b>V-IV-3</b>	<b>37,169</b>	<b>12,229</b>
<b>VI. TRADING INCOME/LOSSES (Net)</b>	<b>V-IV-4</b>	<b>139,931</b>	<b>248,795</b>
6.1 Trading account income/losses	V-IV-4	46,761	176,073
6.2 Income/losses from derivative financial instruments	V-IV-4	(29,129)	(39,189)
6.3 Foreign exchange gains/losses	V-IV-4	122,299	111,911
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-5</b>	<b>2,036,648</b>	<b>2,119,791</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>8,819,345</b>	<b>7,910,051</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>V-IV-6</b>	<b>1,635,860</b>	<b>1,747,665</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-7</b>	<b>4,817,078</b>	<b>3,903,605</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,366,407</b>	<b>2,258,781</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>34,617</b>	<b>33,077</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)</b>	<b>V-IV-8</b>	<b>2,401,024</b>	<b>2,291,858</b>
<b>XVI. CONTINUING OPERATIONS PROVISION FOR TAXES</b>	<b>V-IV-9</b>	<b>(527,111)</b>	<b>(478,015)</b>
16.1 Current tax charges	V-IV-11	(417,396)	(612,250)
16.2 Deferred tax credits	V-IV-11	(109,715)	134,235
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>V-IV-12</b>	<b>1,873,913</b>	<b>1,813,843</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS(-)</b>		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX)</b>		-	-
<b>XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)</b>		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVI+XXII)</b>	<b>V-IV-12</b>	<b>1,873,913</b>	<b>1,813,843</b>
23.1. Equity holders of the Bank		1,948,588	1,805,677
23.2. Non-controlling interest(-)	V-IV-13	(74,675)	8,166
Earnings per 100 Share (full TL)	III-XXIV	0.7496	0.7255

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 YEAR ENDED 31 DECEMBER 2015  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

<b>GAINS AND LOSSES RECOGNIZED IN EQUITY</b>	<b>Notes</b>	<b>Audited Current Period 31 December 2015</b>	<b>Audited Prior Period 31 December 2014</b>
<b>I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES</b>	<b>V-V-6</b>	<b>(585,086)</b>	<b>823,760</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>		<b>791,080</b>	<b>-</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>		<b>-</b>	<b>-</b>
<b>IV. CURRENCY TRANSLATION DIFFERENCES</b>		<b>42,762</b>	<b>(15,664)</b>
<b>V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>		<b>-</b>	<b>-</b>
<b>VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>		<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS</b>		<b>-</b>	<b>-</b>
<b>VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS</b>		<b>(49,238)</b>	<b>(34,075)</b>
<b>IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>V-V-6</b>	<b>70,314</b>	<b>(153,802)</b>
<b>X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)</b>		<b>269,832</b>	<b>620,219</b>
<b>XI. CURRENT PERIOD'S PROFIT/(LOSS)</b>		<b>1,873,913</b>	<b>1,813,843</b>
11.1 Change in fair value of securities (transfers to the statement of income)	V-V-6	36,105	168,124
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		1,837,808	1,645,719
<b>XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)</b>		<b>2,143,745</b>	<b>2,434,062</b>

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 YEAR ENDED 31 DECEMBER 2015**

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

Audited	Notes	Paid in Capital	Capital Reserves	Share Premium	Cancellation Share 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	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s.	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Shareholders' Equity	
			Inflation Adj. to Paid in Capital										Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Shareholders' Equity			
Prior Period – 31 December 2014																			
I.																			
		2,500,000	-	726,686	-	904,166	6,337	6,007,191	420,752	-	1,688,833	(149,719)	51,329	6,282	-	-	12,161,857	309,101	12,470,958
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	671,249	-	-	-	-	671,249	3,006	674,255
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	(2,599)	-	-	(2,599)	-	(2,599)
IX.		-	-	-	-	-	-	-	(14,098)	-	-	-	-	-	-	-	(14,098)	(1,566)	(15,664)
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	(777)	-	-	-	-	-	(777)	-	(777)
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	1,094	-	860	-	5,824	(33,886)	-	(20,762)	-	-	-	-	-	(46,870)	169,748	122,878
XVIII.		-	-	-	-	-	-	-	-	1,805,677	-	-	-	-	-	-	1,805,677	8,166	1,813,843
18.1	V-V-5	-	-	-	-	164,219	-	1,333,112	113	-	(1,598,979)	-	1,535	-	-	(100,000)	(2,371)	(102,371)	
18.2	V-V-5	-	-	-	-	164,219	-	1,333,112	113	-	(1,498,979)	-	1,535	-	-	(100,000)	(2,371)	(102,371)	
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period		2,500,000	-	727,780	-	1,069,245	6,337	7,346,127	372,881	1,805,677	68,315	521,530	52,864	3,683	-	-	14,474,439	486,084	14,960,523

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 YEAR ENDED 31 DECEMBER 2015**

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

Audited	Notes	Paid in Capital	Capital Reserves from Inflation Adj.s 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 Discout. Op.s.	Shareholders' Equity before Minority Shares	Non-controlling Interest	Total Shareholders' Equity	
<b>I. Current Period – 31 December 2015</b>																				
I.	Balances at the beginning of the period	2,500,000	-	727,780	-	1,069,245	6,337	7,346,127	372,881	-	1,873,992	521,530	52,864	3,683	-	-	14,474,439	486,084	14,960,523	
II.	Mergers	-	-	-	-	-	-	-	-	-	-	(479,644)	-	-	-	-	(479,644)	459	(479,185)	
III.	Valuation differences of the marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.1	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.2	Net investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	(638)	-	653,011	-	-	-	652,373	91,356	743,729	
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Translation differences	-	-	-	-	-	-	-	38,486	-	-	-	-	-	-	-	38,486	4,276	42,762	
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	-	-	-	-	-	-	-	-	-	(26,975)	(11,875)	-	-	-	-	(38,850)	-	(38,850)	
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	-	-	-	-	-	-	11	1,961	-	-	-	-	-	-	-	1,972	(596)	1,376	
XVII.	Current period's net profit/loss	-	-	-	-	-	-	-	-	1,948,588	-	-	-	-	-	-	-	1,948,588	(74,675)	1,873,913
XVIII.	Profit distribution	-	-	-	-	166,921	-	1,133,910	143,413	-	(1,779,026)	-	234,782	-	-	-	(100,000)	(1,513)	(101,513)	
18.1	Dividends	V-V-5	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	(100,000)	(1,513)	(101,513)	
18.2	Transferred to reserves	V-V-5	-	-	-	166,921	-	1,133,910	143,413	-	(1,679,026)	-	234,782	-	-	-	-	-	-	
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at the end of the period</b>		<b>2,500,000</b>	<b>-</b>	<b>727,780</b>	<b>-</b>	<b>1,236,166</b>	<b>6,337</b>	<b>8,480,048</b>	<b>556,741</b>	<b>1,948,588</b>	<b>67,353</b>	<b>30,011</b>	<b>940,657</b>	<b>3,683</b>	<b>-</b>	<b>-</b>	<b>16,497,364</b>	<b>505,391</b>	<b>17,002,755</b>	

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 YEAR ENDED 31 DECEMBER 2015**

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

	Notes	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>3,238,846</b>	<b>3,209,873</b>
1.1.1	Interests received	13,135,951	10,753,156
1.1.2	Interests paid	(8,073,427)	(6,710,476)
1.1.3	Dividends received	5,483	5,869
1.1.4	Fee and commissions received	1,351,513	1,109,503
1.1.5	Other income	1,106,645	1,231,954
1.1.6	Collections from previously written-off loans and other receivables	1,018,600	707,442
1.1.7	Payments to personnel and service suppliers	(1,715,096)	(1,415,182)
1.1.8	Taxes paid	(691,055)	(556,581)
1.1.9	Other	(2,899,768)	(1,915,812)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>(3,851,919)</b>	<b>(3,116,050)</b>
1.2.1	Net (increase) decrease in financial assets held for trading purpose	(42,630)	141,710
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	(2,341,828)	(345,515)
1.2.4	Net (increase) decrease in loans	(20,944,190)	(19,225,256)
1.2.5	Net (increase) decrease in other assets	(433,611)	(31,827)
1.2.6	Net increase (decrease) in bank deposits	722,756	721,273
1.2.7	Net increase (decrease) in other deposits	17,810,595	9,627,944
1.2.8	Net increase (decrease) in funds borrowed	3,813,977	3,932,304
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(2,436,988)	2,063,317
<b>I.</b>	<b>Net cash flow from banking operations</b>	<b>(613,073)</b>	<b>93,823</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash flow from investing activities</b>	<b>(1,615,919)</b>	<b>(405,045)</b>
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	-	(205,714)
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	-	-
2.3	Cash paid for purchase of tangible assets	(858,423)	(175,892)
2.4	Proceeds from disposal of tangible assets	580,786	459,768
2.5	Cash paid for purchase of available-for-sale financial assets	(4,215,603)	(5,907,461)
2.6	Proceeds from disposal of available-for-sale financial assets	3,410,191	6,871,852
2.7	Cash paid for purchase of held-to-maturity investments	(1,610,704)	(2,869,774)
2.8	Proceeds from disposal of held-to-maturity investments	1,129,187	1,466,184
2.9	Other	(51,353)	(44,008)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash flow from financing activities</b>	<b>2,125,686</b>	<b>3,409,685</b>
3.1	Cash obtained from funds borrowed and securities issued	9,840,198	8,540,424
3.2	Cash used for repayment of funds borrowed and securities issued	(7,612,999)	(5,028,368)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(101,513)	(102,371)
3.5	Repayments for finance leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rates on cash and cash equivalents</b>	<b>(30,472)</b>	<b>4,539</b>
<b>V.</b>	<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(133,778)</b>	<b>3,103,002</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>9,190,905</b>	<b>6,087,903</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>9,057,127</b>	<b>9,190,905</b>

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 DISTRIBUTION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	Notes	Current Period 31 December 2015	Prior Period 31 December 2014
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(***)</sup></b>			
<b>1.1 CURRENT YEAR'S PROFIT</b>		<b>2,470,293</b>	<b>2,213,676</b>
<b>1.2 TAXES AND LEGAL DUTIES PAYABLE</b>		<b>(540,184)</b>	<b>(460,403)</b>
1.2.1 Corporate tax (income tax)	V-IV-11	(404,310)	(601,519)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties <sup>(**)</sup>	V-IV-11	(135,874)	141,116
<b>A. NET PROFIT FOR THE YEAR</b>		<b>1,930,109</b>	<b>1,753,273</b>
<b>1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES</b>	<b>V-IV-11</b>	<b>-</b>	<b>(141,116)</b>
<b>B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>		<b>1,930,109</b>	<b>1,612,157</b>
<b>1.4 ACCUMULATED LOSSES</b>		<b>-</b>	<b>-</b>
<b>1.5 FIRST LEGAL RESERVES</b>	<b>V-V-5</b>	<b>-</b>	<b>(80,607)</b>
<b>1.6 OTHER STATUTORY RESERVES</b>	<b>V-V-5</b>	<b>-</b>	<b>(80,607)</b>
<b>C. NET PROFIT AVAILABLE FOR DISTRIBUTION<sup>(*)</sup></b>		<b>-</b>	<b>1,450,943</b>
<b>1.7 FIRST DIVIDEND TO SHAREHOLDERS</b>		<b>-</b>	<b>100,000</b>
1.7.1 To owners of ordinary shares		-	100,000
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
<b>1.8 DIVIDENDS TO PERSONNEL</b>		<b>-</b>	<b>-</b>
<b>1.9 DIVIDENDS TO BOARD OF DIRECTORS</b>		<b>-</b>	<b>-</b>
<b>1.10 SECOND DIVIDEND TO SHAREHOLDERS</b>		<b>-</b>	<b>-</b>
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
<b>1.11 SECOND LEGAL RESERVES</b>		<b>-</b>	<b>-</b>
<b>1.12 STATUS RESERVES</b>		<b>-</b>	<b>-</b>
<b>1.13 EXTRAORDINARY RESERVES</b>	<b>V-V-5</b>	<b>-</b>	<b>1,114,821</b>
<b>1.14 OTHER RESERVES</b>		<b>-</b>	<b>-</b>
<b>1.15 SPECIAL FUNDS</b>	<b>V-V-5</b>	<b>-</b>	<b>236,122</b>
<b>II. DISTRIBUTION FROM RESERVES</b>		<b>-</b>	<b>-</b>
<b>2.1 DISTRIBUTION OF RESERVES</b>		<b>-</b>	<b>-</b>
<b>2.2 SECOND LEGAL RESERVES</b>		<b>-</b>	<b>-</b>
<b>2.3 DIVIDENDS TO SHAREHOLDERS</b>		<b>-</b>	<b>-</b>
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
<b>2.4 DIVIDENDS TO PERSONNEL</b>		<b>-</b>	<b>-</b>
<b>2.5 DIVIDENDS TO BOARD OF DIRECTORS</b>		<b>-</b>	<b>-</b>
<b>III. EARNINGS PER SHARE</b>		<b>-</b>	<b>-</b>
<b>3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)</b>		<b>0.7720</b>	<b>0.7013</b>
<b>3.2 TO OWNERS OF ORDINARY SHARES ( % )</b>		<b>77.20</b>	<b>70.13</b>
<b>3.3 TO OWNERS OF PRIVILEGED SHARES</b>		<b>-</b>	<b>-</b>
<b>3.4 TO OWNERS OF PRIVILEGED SHARES ( % )</b>		<b>-</b>	<b>-</b>
<b>IV. DIVIDEND PER SHARE</b>		<b>-</b>	<b>-</b>
<b>4.1 TO OWNERS OF ORDINARY SHARES</b>		<b>-</b>	<b>0.0400</b>
<b>4.2 TO OWNERS OF ORDINARY SHARES ( % )</b>		<b>-</b>	<b>4.00</b>
<b>4.3 TO OWNERS OF PRIVILEGED SHARES</b>		<b>-</b>	<b>-</b>
<b>4.4 TO OWNERS OF PRIVILEGED SHARES ( % )</b>		<b>-</b>	<b>-</b>

(\*) As of report date, distributable net profit of the period is not shown as any decision regarding the 2015 profit distribution is not taken.

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

(\*\*\*) Profit distribution is made according to unconsolidated financial statements of the Parent Bank.

**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 YEAR ENDED 31 DECEMBER 2015**

(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 other regulations related to reporting principles on accounting records of banks published by Banking Regulation and Supervision Agency and its circulars and interpretations (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of reporting Turkish Accounting Standards and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”).

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.

**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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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, interest rate 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 year ended 31 December 2015, 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 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; and 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 7<sup>th</sup> and 9<sup>th</sup> 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 31 December 2015 and 31 December 2014 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 31 December 2015 and 31 December 2014, 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 year ended 31 December 2015, 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 Group’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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**ACCOUNTING POLICIES (Continued)**

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

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high. 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, the related loss amount are discounted at the original effective interest rate of the asset's estimated future cash flows, by measuring the difference between the present value and the book value of the asset, so that it is recognized as the book value as mentioned above.

If there is an objective evidence that certain loans will not be collected, for such loans; the Group 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. In this scope, the specific provision of TL 17,864 that was reserved within the previous periods is transferred to “Other Operating Income” account and the specific provision of TL 303,807 that was reserved in current period is transferred to “Provision for Losses on Loans and Other Receivables” account as of 30 September 2015.

**IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if and only if, there is a currently enforceable legal right of the Group to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING**

Securities sold under repurchase agreements (“repo”) are classified under “held for trading”, “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 expense accrual is accounted for the impute of interest expense as of 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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. As a result of the valuation from the independent appraisal company, revaluation difference of TL 712,165 after deferred tax effect is followed under the revaluation surplus on tangible assets under shareholders’ equity (As of 31 December 2015, this difference is TL 743,729).

As of 31 December 2015, the conformity between net book value that was calculated based on the cost of properties for use and revaluated values are as follows;

<b>31 December 2015</b>	
Fair value	1,180,140
Net book value calculated on cost value	389,060
<b>Before tax revaluation differences</b>	<b>791,080</b>
Calculated deferred tax liability (-)	(47,351)
<b>Revaluation differences-net</b>	<b>743,729</b>

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.

**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 YEAR ENDED 31 DECEMBER 2015**

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

**ACCOUNTING POLICIES (Continued)**

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

Depreciation rates of tangible assets and estimated useful lives are:

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

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

At each reporting date, the 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.

**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 leasee 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 31 December 2015 is TL 3,828 (full TL) (31 December 2014: TL 3,438 (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 31 December 2015 and 31 December 2014, the major actuarial assumptions used in the calculation of the total liability are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	%10.20	%8.60
Estimated Inflation Rate	%7.10	%6.50
Increase in Real Wage Rate	%8.10	%7.50

**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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED 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 YEAR ENDED 31 DECEMBER 2015**

(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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 31 December 2015, Vakıf Finansal Kiralama A.Ş., a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 220,278 (31 December 2014: TL 248,780).

**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.

Reporting according to the operational segment is presented in Note X of Section Four.

**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 year ended 31 December 2015, earnings per 100 shares are full TL 0.7496 (31 December 2014: full TL 0.7255).

**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 YEAR ENDED 31 DECEMBER 2015**

(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, net off ceded 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:* Reserve for outstanding claims is provided for the outstanding claims, which incurred and reported but not yet settled in current or previous years based on reported balances or estimates when actual balances are not exactly known and incurred but not yet reported claims (“IBNR”). IBNR and subrogation and salvage reimbursements are recognized as the highest of the amount calculated based on historical data and results of actuarial chain ladder method. Reserve for outstanding claims is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

*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 savings 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

---

**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO**

As at 31 December 2015 the Group’s consolidated capital adequacy ratio is 14.21% (31 December 2014: 13.73%). The Parent Bank’s unconsolidated capital adequacy ratio is 14.52% (31 December 2014: 13.96%).

**Risk measurement methods in calculation of capital adequacy ratio**

Consolidated capital adequacy ratio is calculated within the scope of the “Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks (Regulation)”, “Regulation on Credit Risk Mitigation Techniques” and “Communiqué on Risk Weighted Amounts for Securitization Exposures” published in Official Gazette no. 28337 dated 28 June 2012 and “Regulation on the Equity of Banks” published in Official Gazette no. 26333 dated 1 November 2006.

The data used in calculation of consolidated capital adequacy ratio is organized in accordance with the accounting records prepared in compliance with the current legislation. Besides, the Bank classifies these data as “Trading Book” and “Banking Book”; and takes into account in the calculation of market risk and credit risk accordingly. Operational risks are also included in the calculation of capital adequacy ratio.

In the calculation of risk-based amounts, the Group classifies its receivables into risk groups described in 6th article of the Regulation and considers the ratings and risk mitigating elements. The amounts are evaluated in the related risk weight group, accordingly. The Bank applies “basic financial guarantee method” in the consideration of risk mitigating elements for banking book accounts.

Trading book accounts and the items deducted from the capital base are not included in the calculation of credit risk. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The net amounts are multiplied by the rates stated in the Article 5 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”, subjected to risk mitigation in accordance with the “Communique on Credit Risk Mitigation Techniques”, classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the Regulation.

In the calculation of their risk-based values, Derivative Financial Instruments and Credit Derivative Contracts which are accounted in banking book, the receivable amounts due to counter parties are multiplied by the rates stated in the Appendix 2 of the Regulation, subjected to risk mitigation in accordance with the “Communique on Credit Risk Mitigation Techniques”, classified into related risk-weighted group in accordance with Article 6 of the Regulation, then multiplied with the risk weight of the group in accordance with the Appendix 1 of the same Regulation. In compliance with Article 5 of the Regulation, repo transactions, investment securities and commodity lending transactions are accounted for “Counterparty Credit Risk”. The Bank applies “Fair Value Measurement” in the calculation of “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 FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

**Information on consolidated capital adequacy ratio**

<b>Current Period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>
<b>Surplus credit risk weighted</b>	<b>56,021,211</b>	-	<b>8,531,672</b>	<b>46,489,761</b>	<b>27,570,823</b>	<b>73,342,392</b>	<b>3,660,714</b>	<b>7,561,275</b>	<b>168,857</b>	-
Risk classifications:										
Claims on sovereigns and Central Banks	50,954,102	-	-	6,069,922	-	-	-	-	-	-
Claims on regional governments or local authorities	10,515	-	2,946,269	745,048	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	18,280	-	287	-	-	1,092,000	-	-	-	-
Claims on multilateral development banks	219	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	3,080,050	-	4,373,060	3,042,504	-	2,677	-	-	-	-
Claims on corporate	357,740	-	946,223	1,472,078	-	60,126,057	-	-	-	-
Claims included in the regulatory retail portfolios	142,050	-	52,557	-	27,570,823	956,724	-	-	-	-
Claims secured by residential property	-	-	-	35,160,209	-	4,481,845	-	-	-	-
Past due loans	-	-	-	-	-	908,934	-	-	-	-
Higher risk categories decided by the Agency	13,291	-	2,709	-	-	-	3,660,714	7,561,275	168,857	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,444,964	-	210,567	-	-	5,774,155	-	-	-	-

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

<b>Prior Period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>
<b>Surplus credit risk weighted</b>	<b>55,620,001</b>	-	<b>11,639,035</b>	<b>38,668,549</b>	<b>23,382,850</b>	<b>59,238,068</b>	<b>2,986,884</b>	<b>9,434,959</b>	<b>198,260</b>	-
Risk classifications:										
Claims on sovereigns and Central Banks	46,808,952	-	-	5,539,730	-	-	-	-	-	-
Claims on regional governments or local authorities	16,258	-	2,467,609	507,006	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	34,810	-	979	-	-	1,017,536	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	7,031,351	-	7,924,889	1,807,130	-	6,730	-	-	-	-
Claims on corporate	207,240	-	1,137,923	1,348,282	-	49,100,468	-	-	-	-
Claims included in the regulatory retail portfolios	121,740	-	41,821	-	23,382,850	1,185,664	-	-	-	-
Claims secured by residential property	-	-	-	29,466,401	-	3,401,067	-	-	-	-
Past due loans	-	-	-	-	-	320,657	-	-	-	-
Higher risk categories decided by the Agency	11,949	-	3,166	-	-	-	2,986,884	9,434,959	198,260	-
Marketable securities secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other claims	1,387,701	-	62,648	-	-	4,205,946	-	-	-	-

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

**Summary information related to consolidated capital adequacy ratio**

	<b>Current Period</b>	<b>Prior Period</b>
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	11,200,599	9,782,654
Capital Requirement for Market Risk (MRCR)	116,352	63,924
Capital Requirement for Operational Risk (ORCR) (*)	876,010	768,723
Shareholders' Equity	21,651,824	18,212,972
Shareholders' Equity/((CRCR+MRCR+ORCR) *12.5)*100	14.21	13.73
Tier I Capital/((CRCR+MRCR+ORCR) *12.5)*100	10.95	11.07
Common Equity Tier I Capital/((CRCR+MRCR+ORCR)*12.5)*100	11.03	11.17

(\*) In accordance with the BDDK.BYD.126.01 numbered and 7 February 2008 dated BRSA circular, capital adequacy ratio as at 2015 was measured by taking value at operational risk calculated based on gross incomes for the years ended 2014, 2013 and 2012 into consideration. For the year 2014, value at operational risk is being calculated based on gross incomes for the years ended 2013, 2012 and 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

**Information about the consolidated shareholder equity items**

	<b>Current Period</b>	<b>Prior Period</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after all Creditors	2,500,000	2,500,000
Share Premium	727,780	727,780
Share Cancellation Profits	-	-
Reserves	10,333,662	8,794,590
Other Comprehensive Income according to TAS	970,668	574,394
Profit	2,015,941	1,873,992
Current Period Profit	1,948,588	1,805,677
Previous Period Profit	67,353	68,315
General Reserves for Possible Losses	-	-
Bonus shares from Associates, Subsidiaries, and Joint-Ventures not Accounted in Current Period's Profit	3,683	3,683
Minority Shares	500,271	481,423
<b>Common Equity Tier I Capital Before Deductions</b>	<b>17,052,005</b>	<b>14,955,862</b>
<b>Deductions from Common Equity Tier I Capital</b>		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS(-)	54,370	-
Leasehold Improvements on Operational Leases(-)	106,676	98,818
Goodwill and Other Intangible Assets and Related Deferred Taxes(-)	80,615	32,447
Net Deferred Tax Asset/Liability (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law(-)	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital not deducted from Tier I Capital(-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>241,661</b>	<b>131,265</b>
<b>Total Common Equity Tier I Capital</b>	<b>16,810,344</b>	<b>14,824,597</b>
<b>ADDITIONAL CORE CAPITAL</b>		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Defined by the BRSA (Issued or Obtained after 01.01.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 01.01.2014)	-	-
Shares in the Additional Core Capital of Third Parties	-	-
<b>Additional Core Capital before Deductions</b>	-	-
<b>Deductions from Additional Core Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more of 10% of the Issued Share Capital (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
The amount to be deducted from Additional Tier I Capital (-)	-	-



**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Total Deductions from Additional Core Capital</b>	-	-
<b>Total Additional Core Capital</b>	-	-
<b>Deductions from Core Capital</b>	-	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	120,922	129,788
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
<b>Total Core Capital</b>	<b>16,689,422</b>	<b>14,694,809</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	1,450,446	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	1,895,553	2,106,170
Pledged Assets of the Shareholders to be used for the Bank’s Capital Increases	-	-
General Provisions	1,750,094	1,528,540
Shares in the capital contribution of third parties	5,120	4,661
<b>Tier II Capital before Deductions</b>	<b>5,101,213</b>	<b>3,639,371</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
The Total of Net Long Positions of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>5,101,213</b>	<b>3,639,371</b>
<b>CAPITAL</b>	<b>21,790,635</b>	<b>18,334,180</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	138,557	120,737
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	471
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more than the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>EQUITY</b>	<b>21,651,824</b>	<b>18,212,972</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	139,185	172,959

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

**Components of items of shareholders’ equity subject to temporary applications:**

	The Parent Bank		Consolidated	
	Amount Included in Equity Calculation	Total Amount	Amount Included in Equity Calculation	Total Amount
Minorities’ share in Tier I capital	-	-	500,271	-
Third Parties’ share in additional core capital	-	-	-	-
Third Parties’ share in supplementary capital	-	-	5,120	-
Debt Instruments and Related Issuance Premiums Defined by the BRSA (Issued before 01.01.2014)	1,905,885	2,652,375	1,895,553	2,639,496

**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
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction.
Eligible at solo/group/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)	3,346
Par value of instrument	4,059
Accounting classification	347011-Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: 1 November 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: 3 February 2025
Issue date	XS0849728190/ US90015NAB91 1 November 2012 XS1175854923/ US90015WAC73 2 February 2015
Issuer call subject to prior supervisory approval	Yes
Call option dates, conditioned call dates and call amount	XS0849728190/ US90015NAB91 not available. XS1175854923/ US90015WAC73 early call date at 3 February 2020 is available.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 not available. XS1175854923/ US90015WAC73 only one call option is available.
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	Fixed/Interest payment once in six month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6,875% fixed interest rate
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Noncumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks’ shareholders’ equity law that are not possessed	Not Possess Article 7

**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 YEAR ENDED 31 DECEMBER 2015**

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

---

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

**As a part of internal capital adequacy assessment process in terms of applied approach on inherit capital requirement's current and future activity**

Internal capital requirements assessment process and capital adequacy policies in order to define the "Internal Capital Adequacy Assessment Process Document" was established in September 2012 and was approved by the Board of Directors. The document includes planning of capital, procedures and principles of risk reduction procedures of capital for making emergency plans. It is aimed to specify the current and future capital requirements, capital variety to keep up Bank's risk or potential risks with internal capital adequacy assessment process.

In the process, potential changes in market conditions and economic cycle are evaluated for effects on capital, as well as the Bank's strategy and credit growth expectations in line with the objectives, funding sources, liquidity opportunities are kept in into account. The Bank's strategic plans and capital needs assessment performed in accordance with defined growth prospects in 2016 and has taken actions to increase the amount of capital and resources in 2015.

Capital requirements for the internal assessment process, credit risk, market risk, operational risk, interest rate risk arising from the bank accounts, liquidity risk, credit risk, residual risk, concentration risk, counterparty credit risk are taken into consideration country and transfer risk, the measurement of risk and on the management policies and procedures have been developed and approved by the Board of Directors.

**II. CONSOLIDATED CREDIT RISK**

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

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

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

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

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

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

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

The Group’s largest 100 cash loan customers compose 24.19% of the total cash loan portfolio (31 December 2014: 21.73%).

The Group’s largest 100 non-cash loan customers compose 54.84% of the total non-cash loan portfolio (31 December 2014: 56.59%).

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

The Group’s largest 100 cash loan customers compose 15.96 % of total assets of the Group and the Group’s largest 100 non-cash loan customers compose 15.33% of total off-balance sheet items (31 December 2014: 14.09% and 17.47%).

The Group’s largest 200 cash loan customers compose 29.74% of the total cash loan portfolio (31 December 2014: 27.30%).

The Group’s largest 200 non-cash loan customers compose 66.75% of the total non-cash loan portfolio (31 December 2014: 68.25%).

The Group’s largest 200 cash loan customers compose 19.62 % of total assets of the Group and the Bank’s largest 200 non-cash loan customers compose 18.66% of total off-balance sheet items (31 December 2014: 17.70% and 21.07%).

The general provision for credit risk amounts to TL 1,957,603 (31 December 2014: TL 1,603,242).

<b>Risk Classifications:</b>	<b>Current Period Risk Amount<sup>(**)</sup></b>	<b>Average Risk Amount<sup>(*)</sup></b>
Claims on sovereigns and Central Banks	57,024,024	57,630,354
Claims on regional governments or local authorities	3,701,832	3,256,170
Claims on administrative bodies and other non-commercial undertakings	1,110,567	1,084,244
Claims on multilateral development banks	219	36
Claims on international organizations	-	-
Claims on banks and intermediary institutions	10,498,291	12,197,625
Claims on corporate	62,902,098	60,633,093
Claims included in the regulatory retail portfolios	28,722,154	28,205,081
Claims secured by residential property	39,642,054	36,961,615
Past due loans	908,934	578,050
Higher risk categories decided by the Agency	11,406,846	11,243,906
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	548
Other claims	7,429,686	5,998,450

(\*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2015 period.

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

<b>Risk Classifications:</b>	<b>Prior Period Risk Amount<sup>(**)</sup></b>	<b>Average Risk Amount<sup>(*)</sup></b>
Claims on sovereigns and Central Banks	52,348,682	47,375,472
Claims on regional governments or local authorities	2,990,873	2,407,535
Claims on administrative bodies and other non-commercial undertakings	1,053,325	764,673
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	16,770,100	14,357,255
Claims on corporate	51,793,913	46,819,372
Claims included in the regulatory retail portfolios	24,732,075	23,261,714
Claims secured by residential property	32,867,468	29,887,421
Past due loans	320,657	338,704
Higher risk categories decided by the Agency	12,635,218	11,653,113
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other claims	5,656,295	5,007,540

(\*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2014 period.

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

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

<b>Current Period</b>	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	<b>Total</b>
Domestic	52,902,940	3,694,135	1,110,567	2	-	3,378,158	61,135,851	28,675,914	39,615,204	903,784	11,289,128	-	-	-	-	6,278,985	208,984,668
EU countries	416,042	-	-	217	-	6,034,103	130,649	9,225	-	5,150	-	-	-	-	-	24,052	6,619,438
OECD countries (*)	-	-	-	-	-	1,133	5	-	-	-	-	-	-	-	-	-	1,138
Off-shore banking regions	-	-	-	-	-	-	916	-	-	-	-	-	-	-	-	-	916
USA, Canada	3,627,192	7,697	-	-	-	951,702	1,501,066	37,015	26,850	-	-	-	-	-	-	-	6,151,522
Other countries	77,850	-	-	-	-	133,195	133,611	-	-	-	117,718	-	-	-	-	-	462,374
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	496,774
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	629,875
<b>Total</b>	<b>57,024,024</b>	<b>3,701,832</b>	<b>1,110,567</b>	<b>219</b>	<b>-</b>	<b>10,498,291</b>	<b>62,902,098</b>	<b>28,722,154</b>	<b>39,642,054</b>	<b>908,934</b>	<b>11,406,846</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,429,686</b>	<b>223,346,705</b>

(\*) EU countries, OECD countries except USA and Canada.

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

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

<b>Prior Period</b>	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Other receivables	<b>Total</b>
Domestic	50,201,945	2,977,134	1,053,325	-	-	6,448,429	50,434,062	24,692,350	32,833,278	315,412	12,548,291	-	-	-	-	4,727,608	186,231,834
EU countries	340,754	-	-	-	-	9,546,995	131,762	10,027	-	5,245	-	-	-	-	-	17,687	10,052,470
OECD countries (*)	-	-	-	-	-	1,478	63	-	-	-	-	-	-	-	-	-	1,541
Off-shore banking regions	-	-	-	-	-	-	786	-	-	-	-	-	-	-	-	-	786
USA, Canada	1,805,983	13,739	-	-	-	676,493	1,049,673	29,698	34,190	-	-	-	-	-	-	-	3,609,776
Other countries	-	-	-	-	-	96,705	177,567	-	-	-	86,927	-	-	-	-	15	361,214
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	466,066
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	444,919
<b>Total</b>	<b>52,348,682</b>	<b>2,990,873</b>	<b>1,053,325</b>	<b>-</b>	<b>-</b>	<b>16,770,100</b>	<b>51,793,913</b>	<b>24,732,075</b>	<b>32,867,468</b>	<b>320,657</b>	<b>12,635,218</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,656,295</b>	<b>201,168,606</b>

(\*) EU countries, OECD countries except USA and Canada.

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

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



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 YEAR ENDED 31 DECEMBER 2015

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

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (\*)

Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
<b>Agricultural</b>	<b>2,414</b>	<b>105</b>	<b>26,352</b>	-	-	-	<b>1,161,728</b>	<b>439,998</b>	<b>705,331</b>	-	<b>59,684</b>	-	-	-	-	-	<b>1,785,630</b>	<b>609,982</b>	<b>2,395,612</b>
<i>Farming and raising livestock</i>	<i>2,018</i>	<i>105</i>	<i>26,352</i>	-	-	-	<i>842,919</i>	<i>395,678</i>	<i>647,326</i>	-	<i>59,636</i>	-	-	-	-	-	<i>1,649,514</i>	<i>324,520</i>	<i>1,974,034</i>
<i>Forestry</i>	<i>393</i>	-	-	-	-	-	<i>281,910</i>	<i>22,702</i>	<i>32,854</i>	-	<i>39</i>	-	-	-	-	-	<i>81,705</i>	<i>256,193</i>	<i>337,898</i>
<i>Fishing</i>	<i>3</i>	-	-	-	-	-	<i>36,899</i>	<i>21,618</i>	<i>25,151</i>	-	<i>9</i>	-	-	-	-	-	<i>54,411</i>	<i>29,269</i>	<i>83,680</i>
<b>Manufacturing</b>	<b>1,045</b>	<b>740</b>	<b>193,618</b>	-	-	-	<b>26,412,474</b>	<b>2,623,725</b>	<b>5,560,093</b>	-	<b>6,131</b>	-	-	-	-	-	<b>13,123,768</b>	<b>21,674,058</b>	<b>34,797,826</b>
<i>Mining</i>	-	-	<i>3,674</i>	-	-	-	<i>1,163,960</i>	<i>91,198</i>	<i>196,693</i>	-	<i>216</i>	-	-	-	-	-	<i>481,280</i>	<i>974,461</i>	<i>1,455,741</i>
<i>Production</i>	<i>980</i>	<i>30</i>	<i>97,208</i>	-	-	-	<i>17,893,764</i>	<i>2,487,186</i>	<i>5,194,457</i>	-	<i>5,795</i>	-	-	-	-	-	<i>11,060,452</i>	<i>14,618,968</i>	<i>25,679,420</i>
<i>Electric, Gas, Water</i>	<i>65</i>	<i>710</i>	<i>92,736</i>	-	-	-	<i>7,354,750</i>	<i>45,341</i>	<i>168,943</i>	-	<i>120</i>	-	-	-	-	-	<i>1,582,036</i>	<i>6,080,629</i>	<i>7,662,665</i>
<b>Construction</b>	<b>42</b>	<b>225</b>	<b>353</b>	-	-	-	<b>8,574,498</b>	<b>1,509,265</b>	<b>5,041,111</b>	-	<b>3,379</b>	-	-	-	-	-	<b>8,895,159</b>	<b>6,233,714</b>	<b>15,128,873</b>
<b>Services</b>	<b>36,818,658</b>	<b>3,634,972</b>	<b>634,288</b>	<b>217</b>	-	<b>10,498,291</b>	<b>20,067,827</b>	<b>9,966,610</b>	<b>13,806,938</b>	-	<b>147,886</b>	-	-	-	-	<b>79,253</b>	<b>60,468,962</b>	<b>35,185,978</b>	<b>95,654,940</b>
<i>Wholesale and retail trade</i>	<i>4,975</i>	<i>3,765</i>	<i>98,714</i>	-	-	-	<i>7,372,177</i>	<i>5,617,739</i>	<i>8,146,349</i>	-	<i>18,612</i>	-	-	-	-	-	<i>16,275,415</i>	<i>4,986,916</i>	<i>21,262,331</i>
<i>Hotel, Food and Beverage Services</i>	<i>14</i>	<i>1,027</i>	<i>622</i>	-	-	-	<i>1,838,986</i>	<i>295,384</i>	<i>2,560,578</i>	-	<i>2,136</i>	-	-	-	-	-	<i>1,281,778</i>	<i>3,416,969</i>	<i>4,698,747</i>
<i>Transportation and Telecommunication</i>	<i>54</i>	<i>8,502</i>	<i>34,503</i>	-	-	-	<i>6,057,655</i>	<i>3,646,731</i>	<i>1,758,499</i>	-	<i>6,977</i>	-	-	-	-	-	<i>6,123,706</i>	<i>5,389,215</i>	<i>11,512,921</i>
<i>Financial Institutions</i>	<i>36,645,125</i>	<i>11</i>	<i>100,192</i>	<i>217</i>	-	<i>10,498,291</i>	<i>3,389,360</i>	<i>35,139</i>	<i>465,128</i>	-	<i>117,938</i>	-	-	-	-	<i>79,253</i>	<i>31,281,611</i>	<i>20,049,043</i>	<i>51,330,654</i>
<i>Real Estate and renting services</i>	-	-	<i>4</i>	-	-	-	<i>452,479</i>	<i>86,614</i>	<i>183,413</i>	-	<i>449</i>	-	-	-	-	-	<i>431,092</i>	<i>291,867</i>	<i>722,959</i>
<i>Self-employment services</i>	<i>159</i>	<i>724</i>	<i>2,444</i>	-	-	-	<i>7,679</i>	-	-	-	-	-	-	-	-	-	<i>11,006</i>	-	<i>11,006</i>
<i>Education services</i>	<i>4,995</i>	<i>48</i>	<i>8,889</i>	-	-	-	<i>216,735</i>	<i>67,764</i>	<i>272,888</i>	-	<i>258</i>	-	-	-	-	-	<i>519,242</i>	<i>52,335</i>	<i>571,577</i>
<i>Health and social services</i>	<i>163,336</i>	<i>3,620,895</i>	<i>388,920</i>	-	-	-	<i>732,756</i>	<i>217,239</i>	<i>420,083</i>	-	<i>1,516</i>	-	-	-	-	-	<i>4,545,112</i>	<i>999,633</i>	<i>5,544,745</i>
<b>Other</b>	<b>20,201,865</b>	<b>65,790</b>	<b>255,956</b>	<b>2</b>	-	-	<b>6,685,571</b>	<b>14,182,556</b>	<b>14,528,581</b>	<b>908,934</b>	<b>11,189,766</b>	-	-	-	-	<b>7,350,433</b>	<b>51,393,140</b>	<b>23,976,314</b>	<b>75,369,454</b>
<b>Total</b>	<b>57,024,024</b>	<b>3,701,832</b>	<b>1,110,567</b>	<b>219</b>	-	<b>10,498,291</b>	<b>62,902,098</b>	<b>28,722,154</b>	<b>39,642,054</b>	<b>908,934</b>	<b>11,406,846</b>	-	-	-	-	<b>7,429,686</b>	<b>135,666,659</b>	<b>87,680,046</b>	<b>223,346,705</b>

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

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

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 YEAR ENDED 31 DECEMBER 2015

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

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total	
<b>Agricultural</b>	<b>91</b>	<b>38</b>	<b>189,639</b>	-	-	-	<b>953,400</b>	<b>383,982</b>	<b>403,997</b>	-	<b>4,691</b>	-	-	-	-	-	<b>1,380,714</b>	<b>555,124</b>	<b>1,935,838</b>	
<i>Farming and raising livestock</i>	91	38	189,639	-	-	-	641,664	333,617	351,702	-	4,260	-	-	-	-	-	1,245,569	275,442	1,521,011	
<i>Forestry</i>	-	-	-	-	-	-	280,965	31,160	24,346	-	185	-	-	-	-	-	77,753	258,903	336,656	
<i>Fishing</i>	-	-	-	-	-	-	30,771	19,205	27,949	-	246	-	-	-	-	-	57,392	20,779	78,171	
<b>Manufacturing</b>	<b>1,004,291</b>	<b>40</b>	<b>160,376</b>	-	-	-	<b>20,962,364</b>	<b>2,485,075</b>	<b>4,843,193</b>	-	<b>7,120</b>	-	-	-	-	-	<b>12,215,344</b>	<b>17,247,115</b>	<b>29,462,459</b>	
<i>Mining</i>	-	-	4,643	-	-	-	420,910	94,155	323,949	-	68	-	-	-	-	-	453,468	390,257	843,725	
<i>Production</i>	1,004,291	11	153,725	-	-	-	14,152,137	2,351,669	4,361,948	-	6,924	-	-	-	-	-	10,279,250	11,751,455	22,030,705	
<i>Electric, Gas, Water</i>	-	29	2,008	-	-	-	6,389,317	39,251	157,296	-	128	-	-	-	-	-	1,482,626	5,105,403	6,588,029	
<b>Construction</b>	<b>280</b>	<b>6</b>	<b>1</b>	-	-	-	<b>6,489,523</b>	<b>1,427,900</b>	<b>4,336,534</b>	-	<b>4,491</b>	-	-	-	-	-	<b>7,081,245</b>	<b>5,177,490</b>	<b>12,258,735</b>	
<b>Services</b>	<b>30,606,027</b>	<b>2,896,367</b>	<b>608,280</b>	-	-	-	<b>16,768,801</b>	<b>17,206,343</b>	<b>9,436,412</b>	-	<b>10,612,815</b>	-	-	-	-	-	<b>15</b>	<b>57,130,945</b>	<b>31,135,646</b>	<b>88,266,591</b>
<i>Wholesale and retail trade</i>	279	125	286	-	-	-	6,995,957	5,387,275	6,508,686	-	29,082	-	-	-	-	-	14,053,533	4,868,157	18,921,690	
<i>Hotel, Food and Beverage Services</i>	9	6	78	-	-	-	1,352,147	296,071	1,545,078	-	2,885	-	-	-	-	-	1,016,690	2,179,584	3,196,274	
<i>Transportation and Telecommunication</i>	11	-	240,027	-	-	-	4,574,341	3,392,287	1,353,077	-	9,016	-	-	-	-	-	5,474,745	4,094,014	9,568,759	
<i>Financial Institutions</i>	30,478,929	-	69	-	-	-	16,768,801	2,997,595	34,796	457,626	-	87,390	-	-	-	-	15	31,915,393	18,909,828	50,825,221
<i>Real Estate and renting services</i>	-	-	3	-	-	-	453,929	73,037	138,421	-	1,138	-	-	-	-	-	423,039	243,489	666,528	
<i>Self-employment services</i>	-	-	3,786	-	-	-	643	-	-	-	-	-	-	-	-	-	4,429	-	4,429	
<i>Education services</i>	74	4	5,067	-	-	-	205,181	49,412	237,724	-	522	-	-	-	-	-	437,031	60,953	497,984	
<i>Health and social services</i>	126,725	2,896,232	358,964	-	-	-	626,550	203,534	372,203	-	1,498	-	-	-	-	-	3,806,085	779,621	4,585,706	
<b>Other</b>	<b>20,737,993</b>	<b>94,422</b>	<b>95,029</b>	-	-	<b>1,299</b>	<b>6,182,283</b>	<b>10,998,706</b>	<b>12,670,929</b>	<b>320,657</b>	<b>12,487,385</b>	-	-	-	-	<b>5,656,280</b>	<b>47,251,620</b>	<b>21,993,363</b>	<b>69,244,983</b>	
<b>Total</b>	<b>52,348,682</b>	<b>2,990,873</b>	<b>1,053,325</b>	-	-	-	<b>16,770,100</b>	<b>51,793,913</b>	<b>24,732,075</b>	<b>32,867,468</b>	<b>320,657</b>	<b>12,635,218</b>	-	-	-	<b>5,656,295</b>	<b>125,059,868</b>	<b>76,108,738</b>	<b>201,168,606</b>	

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**Distribution of maturity risk factors according to their outstanding maturities <sup>(\*)</sup>**

<b>Risk Classifications-Current Period</b>	<b>According to their outstanding maturities</b>				<b>1 year and over</b>
	<b>1 month</b>	<b>1-3 month</b>	<b>3-6 month</b>	<b>6-12 month</b>	
Claims on sovereigns and Central Banks	7,936,470	151,346	399,825	1,811,781	46,724,602
Claims on regional governments or local authorities	9,104	15,419	85,821	146,074	3,445,414
Claims on administrative bodies and other non-commercial undertakings	32,724	38,442	89,225	37,776	912,400
Claims on multilateral development banks	-	-	-	217	2
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	5,565,126	973,107	719,948	71,678	3,168,432
Claims on corporate	2,766,479	4,100,994	6,104,668	10,372,218	39,557,739
Claims included in the regulatory retail portfolios	475,513	1,069,575	1,896,600	4,252,175	21,028,291
Claims secured by residential property	729,855	1,249,282	2,168,805	4,718,668	30,775,444
Past due loans	-	-	-	-	908,934
Higher risk categories decided by the Agency	-	-	-	14,009	11,392,837
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other claims	24,052	-	-	-	7,405,634
<b>Total</b>	<b>17,539,323</b>	<b>7,598,165</b>	<b>11,464,892</b>	<b>21,424,596</b>	<b>165,319,729</b>

<sup>(\*)</sup> Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**Distribution of maturity risk factors according to their outstanding maturities<sup>(\*)</sup> (Continued)**

Risk Classifications-Prior Period	According to their outstanding maturities					1 year and over
	1 month	1-3 month	3-6 month	6-12 month		
Claims on sovereigns and Central Banks	5,166,678	644,411	1,150,586	818,234	44,568,773	
Claims on regional governments or local authorities	9,500	4,726	23,639	55,293	2,897,715	
Claims on administrative bodies and other non-commercial	22,755	32,027	62,029	222,500	714,014	
Claims on multilateral	-	-	-	-	-	
Claims on international	-	-	-	-	-	
Claims on banks and intermediary institutions	12,879,070	968,574	595,254	177,196	2,150,006	
Claims on corporate	2,979,211	3,438,786	4,298,690	9,180,010	31,897,216	
Claims included in the regulatory retail portfolios	494,763	960,696	1,649,708	4,178,296	17,448,612	
Claims secured by residential	573,828	1,048,581	1,696,829	4,030,103	25,518,127	
Past due loans	-	-	-	-	320,657	
Higher risk categories decided by the Agency	-	-	-	14,320	12,620,898	
Marketable securities secured by mortgages	-	-	-	-	-	
Securitization exposures	-	-	-	-	-	
Short-term claims and short-term corporate claims on banks and	-	-	-	-	-	
Undertakings for collective investments in mutual funds	-	-	-	-	-	
Other claims	17,687	-	-	-	5,638,608	
<b>Total</b>	<b>22,143,492</b>	<b>7,097,801</b>	<b>9,476,735</b>	<b>18,675,952</b>	<b>143,774,626</b>	

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

**Risk balances according to risk weights**

Risk Weights Current Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	52,398,384	-	10,754,016	45,380,875	27,765,430	75,641,154	3,666,757	7,571,232	168,857	-	447,024
Amount after Credit Risk Mitigation	56,021,211	-	8,531,672	46,489,761	27,570,823	73,342,392	3,660,714	7,561,275	168,857	-	447,024

Risk Weights Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	48,195,850	-	17,821,331	38,592,192	23,546,411	60,377,604	2,990,704	9,446,254	198,260	-	382,261
Amount after Credit Risk Mitigation	55,620,001	-	11,639,035	38,668,549	23,382,850	59,238,068	2,986,884	9,434,959	198,260	-	382,261

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

In determining the risk weights of the receivables from overseas banks, the risk rates which are given by International Credit Rating Agency Fitch Ratings. The risk rates of Fitch Ratings are also used for foreign currency securities issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, and for other foreign currency risks associated with the Central Government of Republic of Turkey.

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

**Information According to Sectors and Counterparties**

<b>Loans</b>				
<b>Current Period</b>	<b>Impaired (*)</b>	<b>Past Due (**)</b>	<b>Value Adjustments (***)</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>97,854</b>	<b>63,490</b>	<b>1,082</b>	<b>84,031</b>
<i>Farming and raising livestock</i>	87,308	57,860	995	74,536
<i>Forestry</i>	8,408	3,188	75	7,669
<i>Fishing</i>	2,138	2,442	12	1,826
<b>Manufacturing</b>	<b>1,092,095</b>	<b>263,507</b>	<b>6,344</b>	<b>899,226</b>
<i>Mining</i>	139,744	7,731	63	73,788
<i>Production</i>	946,606	250,811	6,197	820,424
<i>Electric, Gas, Water</i>	5,745	4,965	84	5,014
<b>Construction</b>	<b>538,816</b>	<b>214,734</b>	<b>4,877</b>	<b>463,489</b>
<b>Services</b>	<b>1,592,010</b>	<b>1,344,869</b>	<b>26,214</b>	<b>1,362,549</b>
<i>Wholesale and retail trade</i>	969,437	596,895	12,883	818,176
<i>Hotel, Food and Beverage Services</i>	101,335	82,970	1,283	86,187
<i>Transportation and telecommunication</i>	311,208	448,813	8,132	271,145
<i>Financial Institutions</i>	10,448	4,873	89	10,281
<i>Real estate and renting services</i>	46,858	21,350	311	42,251
<i>Self-employment services</i>	119,204	145,031	2,792	105,315
<i>Education services</i>	8,723	17,877	333	7,744
<i>Health and social services</i>	24,797	27,060	391	21,450
<b>Other</b>	<b>1,817,338</b>	<b>2,797,820</b>	<b>74,248</b>	<b>1,419,884</b>
<b>Total</b>	<b>5,138,113</b>	<b>4,684,420</b>	<b>112,765</b>	<b>4,229,179</b>

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

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

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

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 YEAR ENDED 31 DECEMBER 2015

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

INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Prior Period	Loans			Provisions
	Impaired (*)	Past Due (**)	Value Adjustments (***)	
<b>Agricultural</b>	<b>84,649</b>	<b>33,519</b>	<b>806</b>	<b>82,268</b>
<i>Farming and raising livestock</i>	73,386	29,466	632	71,369
<i>Forestry</i>	7,255	1,271	90	6,917
<i>Fishing</i>	4,008	2,782	84	3,982
<b>Manufacturing</b>	<b>943,578</b>	<b>281,898</b>	<b>11,181</b>	<b>860,342</b>
<i>Mining</i>	62,492	7,706	3,240	36,654
<i>Production</i>	875,924	269,229	7,900	818,873
<i>Electric, Gas, Water</i>	5,162	4,963	41	4,815
<b>Construction</b>	<b>454,112</b>	<b>179,450</b>	<b>5,530</b>	<b>426,444</b>
<b>Services</b>	<b>1,359,276</b>	<b>1,291,693</b>	<b>29,871</b>	<b>1,258,092</b>
<i>Wholesale and retail trade</i>	824,331	602,209	15,099	759,894
<i>Hotel, Food and Beverage Services</i>	58,144	78,793	1,445	55,388
<i>Transportation and telecommunication</i>	280,028	433,429	9,073	261,312
<i>Financial Institutions</i>	9,659	2,999	78	8,930
<i>Real estate and renting services</i>	44,923	11,288	234	41,194
<i>Self-employment services</i>	109,543	121,114	3,041	101,835
<i>Education services</i>	6,838	9,717	170	4,814
<i>Health and social services</i>	25,810	32,144	731	24,725
<b>Other</b>	<b>1,340,350</b>	<b>1,983,307</b>	<b>79,209</b>	<b>1,234,162</b>
<b>Total</b>	<b>4,181,965</b>	<b>3,769,867</b>	<b>126,597</b>	<b>3,861,308</b>

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

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

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

Current Period	Provisions amounts set				Closing Balance
	The opening Balance	aside during the period	The cancellation of the provisions	Other Adjustments(*)	
Specific Provisions	3,861,308	1,085,809	(723,382)	5,444	4,229,179
General Provisions	1,603,242	354,951	-	(590)	1,957,603

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

Prior Period	Provisions amounts set				Closing Balance
	The opening Balance	aside during the period	The cancellation of the provisions	Other Adjustments(*)	
Specific Provisions	3,367,453	1,194,633	(700,177)	(601)	3,861,308
General Provisions	1,190,739	413,501	-	(998)	1,603,242

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**Fair value of collateral held against impaired loans**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash collateral (*)	-	-
Mortgage	1,796,132	1,167,532
Promissory note (*)	-	-
Others (**)	3,341,981	3,014,433
<b>Total</b>	<b>5,138,113</b>	<b>4,181,965</b>

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

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

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

<b>Cash loans</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Secured Loans:	94,650,837	79,129,908
Secured by mortgages	38,466,325	32,448,892
Secured by cash collateral	852,010	685,094
Guarantees issued by financial institutions	770,042	94,207
Secured by government institutions or government securities	1,459,632	930,621
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	53,102,828	44,971,094
Unsecured Loans	32,443,460	28,505,474
<b>Total performing loans</b>	<b>127,094,297</b>	<b>107,635,382</b>

<b>Non-cash loans</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Secured Loans:	14,300,378	12,534,623
Secured by mortgages	2,983,905	1,092,714
Secured by cash collateral	243,874	383,649
Guarantees issued by financial institutions	229,287	-
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	10,843,312	11,058,260
Unsecured Loans	18,819,523	16,140,424
<b>Total non-cash loans</b>	<b>33,119,901</b>	<b>28,675,047</b>

**III. CONSOLIDATED MARKET RISK**

The Group calculates market risk using standard method and allocates legal capital in compliance with “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in 28 June dated 2012 Official Gazette no. 28337.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices on balance sheet and off-balance sheet positions of the Group.

The capital needed for general market risk and specific risks is calculated using the standard method defined by the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and reported monthly.

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**III. CONSOLIDATED MARKET RISK (Continued)**

In addition to the standard method, the Group also uses internal models like Historical and Monte Carlo simulations in measuring market risk. The Group also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of The Group’s assets and liabilities is calculated.

The market risk analysis of The Parent Bank is reported monthly and sent to the related regulatory institutions.

**Value at consolidated market risk**

	<b>Current Period</b>	<b>Prior Period</b>
(I) Capital Obligation against General Market Risk - Standard Method	19,671	16,249
(II) Capital Obligation against Specific Risks - Standard Method	5,671	1,893
Capital to be Employed for Specific Risk in Securitisation Positions- Standard Method	-	-
(III) Capital Obligation against Currency Risk - Standard Method	74,769	36,815
(IV) Capital Obligation against Stocks Risks - Standard Method	-	-
(V) Capital Obligation against Exchange Risks - Standard Method	-	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	47	234
(VII) Capital Obligation Calculated for Counterparty Credit Risk - Standard Method	16,194	8,733
(VIII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-	-
(IX) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI+VII)	116,352	63,924
<b>(X) Value at Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>1,454,402</b>	<b>799,050</b>

**Average values at market risk**

	<b>Current Year</b>			<b>Prior Year</b>		
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>
Interest Rate Risk	19,122	20,694	16,707	13,531	16,953	11,352
Common Share Risk	2,146	4,867	1,193	1,895	6,896	759
Currency Risk	65,927	96,124	26,301	30,771	44,194	15,679
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	173	611	23	1,677	3,804	42
Counterparty Credit Risk	17,806	24,180	12,975	9,912	11,892	8,464
<b>Total Value at Risk</b>	<b>1,314,668</b>	<b>1,697,191</b>	<b>744,075</b>	<b>722,326</b>	<b>917,761</b>	<b>514,258</b>

**Information on Counterparty Credit Risk**

Counterparty credit risk is the probability of an economic loss that Bank could face because the counterparty to a transaction bringing liabilities to both parties could default before the final settlement of the transaction.

In calculation of the counterparty credit risk “Valuation Method on the Basis of Fair Value” is implemented in the scope of “Regulation on Calculation and Assessment of Capital Adequacy of the Banks”. The counterparty credit risk of the derivatives includes current replacement cost and potential future credit exposure. Replacement cost is calculated on fair value of the contracts, whilst potential future credit risk exposure is calculated by multiplication of contract amounts with the credit conversion rates stated in the appendices of the 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**III. CONSOLIDATED MARKET RISK (Continued)**

**Information about counterparty risk**

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period<sup>(*)</sup></b>
Contracts based on Interest rate	148,594	66,091
Contracts based on currency	141,618	100,177
Contracts based on commodity	-	-
Contracts based on stocks	-	-
Other	-	-
Gross Positive Fair Value	290,212	166,268
Benefits of clarification	-	-
Clarified current risk amount	-	-
The securities which are held	-	-
The net position of derivatives	290,212	166,268

(\*) Counterparty risk related on held for trading accounts is presented.

**IV. CONSOLIDATED OPERATIONAL RISK**

The Group calculated the value at operational risk in accordance with the third section of “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” that is “Computation of Value of Operational Risk” published in 28 June 2012 dated Official Gazette no. 28337. The operational risk which the Group is exposed to is calculated according to the “Basic Indicator Method” hence by multiplying the average of the 15% of last three years’ actual gross income with 12.5, in line with the effective legislation practices in the country.

<b>Current Period</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>Total / Total number of years for which gross income is positive</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	5,215,105	5,893,893	6,411,206	5,840,068	15	876,010
<b>Amount subject to operational risk (Total*12.5)</b>						<b>10,950,128</b>

<b>Prior Period</b>	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>Total / Total number of years for which gross income is positive</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	4,265,465	5,215,105	5,893,893	5,124,821	15	768,723
<b>Amount subject to operational risk (Total*12.5)</b>						<b>9,609,040</b>

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**V. 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 31 December 2015 and 31 December 2014, 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:

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	2.9100	3.1661
<u>Foreign currency purchase rates for the days before balance sheet date;</u>		
Day 1	2.8600	3.1263
Day 2	2.8500	3.1259
Day 3	2.8600	3.1368
Day 4	2.8500	3.1259
Day 5	2.8600	3.1260
<b>Last 30-days arithmetical average rate</b>	2.8527	3.0912

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**V. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Information on currency risk**

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets:</b>				
Cash and balances with the Central Bank of Republic of Turkey	2,816,103	12,164,961	4,374,833	19,355,897
Banks	482,497	4,458,573	49,150	4,990,220
Financial assets at fair value through profit or loss <sup>(1)</sup>	99,587	107,382	-	206,969
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	1,434,226	3,801,539	-	5,235,765
Loans and receivables <sup>(2)</sup>	14,002,966	27,027,727	32,311	41,063,004
Associates, subsidiaries and joint-ventures	3	-	-	3
Held-to-maturity investments	-	130,981	-	130,981
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	926	4,292	-	5,218
Intangible assets	31	-	-	31
Other assets <sup>(3)(4)</sup>	856,094	1,512,853	705	2,369,652
<b>Total assets</b>	<b>19,692,433</b>	<b>49,208,308</b>	<b>4,456,999</b>	<b>73,357,740</b>
<b>Liabilities:</b>				
Bank deposits	145,724	3,360,282	44,199	3,550,205
Foreign currency deposits	13,225,461	18,416,070	763,473	32,405,004
Interbank money market takings	-	3,403,437	-	3,403,437
Funds borrowed <sup>(5)</sup>	8,479,251	10,782,369	1,076	19,262,696
Securities issued	2,190,569	5,186,409	12,110	7,389,088
Miscellaneous payables	550,084	155,175	45,101	750,360
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(1)(4)(6)</sup>	81,851	5,941,697	1,035	6,024,583
<b>Total liabilities</b>	<b>24,672,940</b>	<b>47,245,439</b>	<b>866,994</b>	<b>72,785,373</b>
<b>Net ‘on balance sheet’ position</b>	<b>(4,980,507)</b>	<b>1,962,869</b>	<b>3,590,005</b>	<b>572,367</b>
<b>Net ‘off-balance sheet’ position</b>	<b>5,576,216</b>	<b>(670,154)</b>	<b>(3,577,895)</b>	<b>1,328,167</b>
Derivative assets <sup>(7)</sup>	7,738,067	12,701,193	2,036,853	22,476,113
Derivative liabilities <sup>(7)</sup>	2,161,851	13,371,347	5,614,748	21,147,946
Non-cash loans <sup>(8)</sup>	3,015,389	7,731,618	246,531	10,993,538
<b>Prior Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	14,276,007	40,285,316	4,446,412	59,007,735
Total liabilities	19,633,096	40,246,828	1,013,061	60,892,985
<b>Net ‘on balance sheet’ position</b>	<b>(5,357,089)</b>	<b>38,488</b>	<b>3,433,351</b>	<b>(1,885,250)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>5,456,748</b>	<b>346,269</b>	<b>(3,430,091)</b>	<b>2,372,926</b>
Derivative assets <sup>(7)</sup>	7,545,021	8,766,209	1,377,221	17,688,451
Derivative liabilities <sup>(7)</sup>	2,088,273	8,419,940	4,807,312	15,315,525
Non-cash loans <sup>(8)</sup>	2,217,630	9,304,139	260,328	11,782,097

(1) Derivative financial assets amounting to TL (51,275) (31 December 2014: TL 4,896) and liabilities amounting to TL (11,791) (31 December 2014: TL (86,657)) resulting from changes in foreign exchange rates are not included.

(2) Foreign currency indexed loans amounting to TL 3,555,465 (31 December 2014: TL 2,751,245) presented in TL in the financial statements are included in the above table.

(3) Foreign currency indexed factoring receivables amounted to TL 67,225 (31 December 2014: TL 65,320) presented in TL column in the accompanying consolidated balance sheet are included.

(4) Prepaid expenses amounting to TL 66,010 (31 December 2014: TL 60,637) are not included.

(5) Foreign currency indexed loans is shown as TL in the financial statements are not included.. (31 December 2014: TL 68,860).

(6) Unearned income amounting to TL 110,576 (31 December 2014: TL 51,232) and deferred tax liabilities amounted to TL 6,210 (31 December 2014: 7,390) are not included. Equities amounting to 565,299 TL (31 December 2014: TL 553,581) are not included.

(7) Asset purchase commitments amounting to TL 1,835,888 (31 December 2014: TL 1,327,706), asset sales commitments amounting to TL 1,895,065 (31 December 2014: TL 1,312,928) and precious metal swaps amounting to TL 5,597,158 (31 December 2014: TL 4,773,860) are included.

(8) 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**V. 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 year ended 31 December 2015 and 2014 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.

	31 December 2015		31 December 2014	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	128,842	128,842	38,327	38,327
Euro	27,552	41,688	(15,206)	21,112
Other currencies	1,211	1,211	326	326
<b>Total, net (**)</b>	<b>157,605</b>	<b>171,741</b>	<b>23,447</b>	<b>59,765</b>

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

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

10 percent appreciation of the TL against the following currencies as at and for the year ended 31 December 2015 and 2014 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	31 December 2015		31 December 2014	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(127,517)	(127,517)	(36,833)	(36,833)
Euro	(27,552)	(41,688)	15,206	(21,112)
Other currencies	(1,085)	(1,085)	(100)	(100)
<b>Total, net (**)</b>	<b>(156,154)</b>	<b>(170,290)</b>	<b>(21,727)</b>	<b>(58,045)</b>

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VI. 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)**

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	12,781,090	-	-	-	-	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
<b>Total assets</b>	<b>64,361,704</b>	<b>31,754,249</b>	<b>35,267,381</b>	<b>26,915,556</b>	<b>13,244,519</b>	<b>18,042,149</b>	<b>189,585,558</b>
<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
<b>Total liabilities</b>	<b>79,350,738</b>	<b>30,461,103</b>	<b>15,404,437</b>	<b>8,996,169</b>	<b>5,653,357</b>	<b>49,719,754</b>	<b>189,585,558</b>
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)
<b>Net position</b>	<b>(13,781,966)</b>	<b>3,590,761</b>	<b>19,547,933</b>	<b>16,193,731</b>	<b>6,689,062</b>	<b>(31,677,605)</b>	<b>561,916</b>

(\*) 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VI. CONSOLIDATED INTEREST RATE RISK (Continued)**

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	3,055,551	-	-	-	-	18,835,530	21,891,081
Banks	2,983,521	214,751	6,290	-	-	363,946	3,568,508
Financial assets at fair value through profit/loss	172,007	207,100	7,569	33,427	25,905	4,233	450,241
Interbank money market placements	9,504	-	-	-	-	-	9,504
Available-for-sale financial assets	2,666,118	2,035,297	5,241,522	4,305,279	2,622,884	15	16,871,115
Loans and receivables	33,476,465	22,448,303	21,987,427	17,768,042	10,356,537	318,897	106,355,671
Held-to-maturity investments	281,186	1,559,200	3,180,566	290,780	1,542,861	-	6,854,593
Other assets (*)	65,719	315,931	170,248	853,884	243,339	5,901,628	7,550,749
<b>Total assets</b>	<b>42,710,071</b>	<b>26,780,582</b>	<b>30,593,622</b>	<b>23,251,412</b>	<b>14,791,526</b>	<b>25,424,249</b>	<b>163,551,462</b>
<i>Liabilities:</i>							
Bank deposits	4,208,236	452,338	22,912	-	-	66,930	4,750,416
Other deposits	45,030,713	19,282,775	6,861,948	709,033	18,322	16,749,406	88,652,197
Interbank money market takings	15,846,751	253,389	349,241	-	205,860	-	16,655,241
Miscellaneous payables	-	-	-	-	-	3,344,419	3,344,419
Securities issued	718,111	2,146,929	2,579,188	4,940,480	-	-	10,384,708
Funds borrowed	4,063,185	7,002,553	3,733,893	717,541	743,483	-	16,260,655
Other liabilities (**)	147,979	23,050	132,524	464,387	1,649,212	21,086,674	23,503,826
<b>Total liabilities</b>	<b>70,014,975</b>	<b>29,161,034</b>	<b>13,679,706</b>	<b>6,831,441</b>	<b>2,616,877</b>	<b>41,247,429</b>	<b>163,551,462</b>
On balance sheet long position	-	-	16,913,916	16,419,971	12,174,649	-	45,508,536
On balance sheet short position	(27,304,904)	(2,380,452)	-	-	-	(15,823,180)	(45,508,536)
Off-balance sheet long position	658,387	1,660,268	-	-	-	-	2,318,655
Off-balance sheet short position	-	-	-	(1,304,201)	(777,200)	-	(2,081,401)
<b>Net position</b>	<b>(26,646,517)</b>	<b>(720,184)</b>	<b>16,913,916</b>	<b>15,115,770</b>	<b>11,397,449</b>	<b>(15,823,180)</b>	<b>237,254</b>

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VI. CONSOLIDATED INTEREST RATE RISK (Continued)**

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

<b>Current Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
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	-	6.98
Loans and receivables	3.77	4.69	-	12.10
Held-to-maturity investments	-	3.59	-	5.58
<b>Liabilities:</b>				
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
<b>Prior Period</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	-	-	1.51
Banks	0.70	0.28	-	10.59
Financial assets at fair value through profit/loss	5.50	11.78	-	11.45
Interbank money market placements	-	-	-	10.33
Available-for-sale financial assets	4.27	6.89	-	7.19
Loans and receivables	4.19	5.39	-	12.70
Held-to-maturity investments	-	1.58	-	5.56
<b>Liabilities:</b>				
Bank deposits	0.66	0.42	-	8.59
Other deposits	1.98	2.13	-	9.22
Interbank money market takings	-	0.95	-	9.83
Miscellaneous payables	-	-	-	-
Securities issued	3.47	3.45	-	9.06
Funds borrowed	1.13	1.67	-	8.44

(\*) 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VI. CONSOLIDATED INTEREST RATE RISK (Continued)**

**The interest rate risk of the banking book items:**

*Measurement Frequency of Interest Rate Risk*

Interest rate risk arising from banking book accounts is calculated in accordance with “Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique” published in the 23 August 2011 dated Official Gazette no. 28034. Legal limit is monthly monitored and reported accordingly.

The economic value changes arising from the interest rate fluctuations which are measured according to “Regulation on Measurement and Assessment of Interest Rate Risk Arising from Banking Book Accounts according to Standard Shock Technique” are presented in the below table:

<b>Currency Unit-Current Period</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gain/ Loss</b>	<b>Gain/ Equity-Loss/ Equity</b>
		(2,022,909) /	
1. TRY	500 / (400)	1,994,966	(%9.45) / %9.32
2. EURO	200 / (200)	237,097 / (30,443)	%1.11 / (%0.14)
3. US Dollar	200 / (200)	592,183 / (522,416)	%2.76 / (%2.44)
<b>Total (For Negative Shocks)</b>	<b>-</b>	<b>1,442,107</b>	<b>6.74%</b>
<b>Total (For Positive Shocks)</b>	<b>-</b>	<b>(1,193,629)</b>	<b>(5.58%)</b>

<b>Currency Unit-Prior Period</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gain/ Loss</b>	<b>Gain/ Equity-Loss/ Equity</b>
1. TRY	500 / (400)	(2,440,546) / 2,452,172	(%13.54) / %13.61
2. EURO	200 / (200)	178,773 / (9,440)	%0.99 / (%0.05)
3. US Dollar	200 / (200)	441,639 / (383,071)	%2.45 / (%2.13)
<b>Total (For Negative Shocks)</b>	<b>-</b>	<b>2,059,661</b>	<b>%11.43</b>
<b>Total (For Positive Shocks)</b>	<b>-</b>	<b>(1,820,134)</b>	<b>(%10.10)</b>

The table above has been obtained from unconsolidated audited financial report dated 31 December 2015 disclosed on Public Disclosure Platform.



**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VI. CONSOLIDATED INTEREST RATE RISK (Continued)**

**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**

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:

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

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

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

<b>Prior Period</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value<sup>(*)</sup></b>
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>203,092</b>	<b>203,092</b>	<b>203,092</b>
1.Stocks Investments Group A	203,092	203,092	203,092
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>320,037</b>	<b>320,037</b>	<b>-</b>

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VI. CONSOLIDATED INTEREST RATE 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	-	118,580	118,580	-	-	-
<b>4. Total</b>	<b>-</b>	<b>118,580</b>	<b>118,580</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Portfolio-Prior Period	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss		
		Total (*)	Included in Core Capital	Total (*)	Included in Core Capital	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-	-
3. Other Stocks	-	62,289	62,289	-	-	-
<b>4. Total</b>	<b>-</b>	<b>62,289</b>	<b>62,289</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**VII. 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.

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.

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

Liquidity management in The Parent Bank is carried out under Treasury Department in regard to the Bank’s strategic goals and projections, decisions taken in Active/Passive 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 Parent 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.

**Liquidity Coverage Ratio**

Current Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			28,842,274	19,291,743
<b>CASH OUTFLOWS</b>					
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	<b>TOTAL CASH OUTFLOWS</b>			<b>46,928,010</b>	<b>23,028,987</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>22,366,754</b>	<b>13,283,856</b>	<b>18,869,722</b>	<b>12,581,609</b>
21	<b>TOTAL HQLA</b>			<b>28,842,274</b>	<b>19,291,743</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>28,058,288</b>	<b>10,447,378</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>102.79</b>	<b>184.66</b>

(\*) To be calculated by simple arithmetic average monthly and consolidated average calculated for the last three months to the liquidity coverage ratio, calculated weekly simple average of the last three months to the liquidity coverage ratio is calculated by taking the arithmetic mean.

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

Prior Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			21,740,602	15,890,234
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	33,211,281	14,381,935	2,350,923	818,618
3	Stable deposits	28,462,318	9,632,972	1,423,116	481,648
4	Less stable deposits	4,748,963	4,748,963	927,807	336,970
5	Unsecured wholesale funding, of which:	51,231,026	12,326,384	21,390,721	6,087,581
6	Operational deposits	32,362,586	5,491,432	8,090,647	1,372,858
7	Non-operational deposits	13,843,072	5,710,009	8,275,114	3,589,780
8	Unsecured debt	5,025,368	1,124,943	5,024,960	1,124,943
9	Secured wholesale funding			-	-
10	Additional requirements of which:	1,279,692	1,222,956	1,279,692	1,222,956
11	Outflows related to derivative exposures and other collateral requirements	1,279,692	1,222,956	1,279,692	1,222,956
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	12,266,490	9,756,311	613,325	487,816
15	Other contingent funding obligations	44,132,841	14,485,826	6,444,894	2,353,891
16	<b>TOTAL CASH OUTFLOWS</b>			<b>32,079,555</b>	<b>10,970,862</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	8,123,384	2,794,168	5,753,344	2,503,876
19	Other cash inflows	207,386	153,889	207,386	153,889
20	<b>TOTAL CASH INFLOWS</b>	<b>8,330,770</b>	<b>2,948,057</b>	<b>5,960,730</b>	<b>2,657,765</b>
				Upper Limit Applied Values	
21	<b>TOTAL HQLA</b>			<b>21,740,602</b>	<b>15,890,234</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>26,118,825</b>	<b>8,313,097</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>83.24</b>	<b>191.15</b>

(\*) To be calculated by simple arithmetic average monthly and consolidated average calculated for the last three months to the liquidity coverage ratio, calculated weekly simple average of the last three months to the liquidity coverage ratio is calculated by taking the arithmetic mean.

The highest value in foreign currency took place during 30 November 2015 period in the level of 187.8%, whereas the lowest value took place during 31 October 2015 period in the level of 180.55%.

The highest value in total took place during 31 December 2015 period in the level of 109.55%, whereas the lowest value took place during 30 November 2015 period in the level of 99.1%.

Between 30 September 2015 and 31 December 2015, as a result of the decrease of cash inflows in foreign currency and total liquidity coverage ratio is less than decrease of cash outflows, the ratios increased from %175.14 to %186.07 on foreign currency, and from %105.68 to %109.55 in total.

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

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

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

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

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed(*)</b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBRT	21,489,914	-	-	-	-	-	-	<b>21,489,914</b>
Banks	4,096,369	1,823,957	194,049	61,644	-	-	-	<b>6,176,019</b>
Financial assets at fair value through profit/loss	13,658	113,337	63,130	76,534	654,329	73,042	1,832	<b>995,862</b>
Interbank money market placements	-	6,699	-	-	-	-	-	<b>6,699</b>
Available-for-sale financial assets	-	85,621	163,685	2,248,919	7,985,465	6,773,168	79,253	<b>17,336,111</b>
Loans and receivables	44,074	12,181,164	4,403,338	25,225,884	52,826,616	30,369,669	908,934	<b>125,959,679</b>
Held-to-maturity investments	-	421,753	-	-	3,774,047	3,481,929	-	<b>7,677,729</b>
Other assets	2,206	1,233,199	367,645	488,301	1,295,221	227,374	6,329,599	<b>9,943,545</b>
<b>Total assets</b>	<b>25,646,221</b>	<b>15,865,730</b>	<b>5,191,847</b>	<b>28,101,282</b>	<b>66,535,678</b>	<b>40,925,182</b>	<b>7,319,618</b>	<b>189,585,558</b>
<b>Liabilities:</b>								
Bank deposits	392,993	4,477,914	555,665	151,903	-	-	-	<b>5,578,475</b>
Other deposits	20,242,411	58,454,713	19,586,263	7,221,632	904,252	22,251	-	<b>106,431,522</b>
Funds borrowed	-	613,644	963,332	10,070,012	3,319,125	5,228,934	-	<b>20,195,047</b>
Interbank money market takings	-	11,216,171	1,148,950	-	397,450	64,627	-	<b>12,827,198</b>
Securities issued	-	1,179,387	1,234,924	1,974,005	6,258,392	-	-	<b>10,646,708</b>
Miscellaneous payables	-	3,197,707	107,686	266,215	4,466	-	821,687	<b>4,397,761</b>
Other liabilities	5	661,799	271,149	53,380	102,220	4,267,976	24,152,318	<b>29,508,847</b>
<b>Total liabilities</b>	<b>20,635,409</b>	<b>79,801,335</b>	<b>23,867,969</b>	<b>19,737,147</b>	<b>10,985,905</b>	<b>9,583,788</b>	<b>24,974,005</b>	<b>189,585,558</b>
<b>Liquidity gap</b>	<b>5,010,812</b>	<b>(63,935,605)</b>	<b>(18,676,122)</b>	<b>8,364,135</b>	<b>55,549,773</b>	<b>31,341,394</b>	<b>(17,654,387)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	36,402	(15,382)	70,417	496,019	374,145	-	<b>961,601</b>
Payables from Derivative Financial Instruments	-	10,288,932	3,593,668	1,389,636	5,540,752	4,922,653	-	<b>25,735,641</b>
Non-cash Loans	2,663,320	951,139	19,403,416	5,498,569	4,078,818	524,639	-	<b>33,119,901</b>
<b>Prior Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Undistributed(*)</b>	<b>Total</b>
Total assets	21,097,023	15,020,547	5,177,956	21,619,608	58,091,716	37,380,848	5,163,764	163,551,462
Total liabilities	17,054,815	70,465,002	23,469,756	16,350,894	9,138,479	6,203,557	20,868,959	163,551,462
<b>Liquidity gap</b>	<b>4,042,208</b>	<b>(55,444,455)</b>	<b>(18,291,800)</b>	<b>5,268,714</b>	<b>48,953,237</b>	<b>31,177,291</b>	<b>(15,705,195)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	(72,293)	25,171	(2,703)	206,056	298,287	-	<b>454,518</b>
Payables from Derivative Financial Instruments	-	9,368,353	2,540,253	500,857	2,802,695	3,531,257	-	<b>18,743,415</b>
Non-cash Loans	243,079	835,912	16,418,421	6,930,286	3,399,063	683,541	-	<b>28,510,302</b>

(\*) 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

*Residual contractual maturities of financial liabilities* <sup>(\*)</sup>

<b>Current period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	5,578,475	5,593,377	392,993	4,483,071	562,204	155,109	-	-
Other deposits	106,431,522	161,230,587	20,242,411	90,390,027	33,694,394	15,879,331	998,260	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
<b>Total</b>	<b>166,622,879</b>	<b>225,705,032</b>	<b>23,183,216</b>	<b>111,481,817</b>	<b>37,777,743</b>	<b>28,577,089</b>	<b>12,188,942</b>	<b>12,496,225</b>
<b>Non-Cash Loans</b>	<b>33,119,901</b>	<b>33,119,901</b>	<b>2,663,320</b>	<b>951,139</b>	<b>19,403,416</b>	<b>5,498,569</b>	<b>4,078,818</b>	<b>524,639</b>
<b>Prior period</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Bank deposits	4,750,416	4,753,361	66,930	4,209,000	453,419	24,012	-	-
Other deposits	88,652,197	89,212,248	16,987,878	44,972,317	19,393,564	7,074,231	762,575	21,683
Funds borrowed	16,260,655	17,263,830	-	1,511,280	1,092,397	6,771,654	3,519,833	4,368,666
Money market takings	16,655,241	16,667,205	-	15,854,923	253,874	351,133	-	207,275
Securities issued	10,384,708	11,236,567	-	713,864	2,166,332	2,401,993	5,954,378	-
Miscellaneous payables	3,344,419	3,344,419	559,496	2,728,303	56,620	-	-	-
Other liabilities	3,614,846	4,564,538	909,478	398,121	38,123	15,223	43,890	3,159,703
<b>Total</b>	<b>143,662,482</b>	<b>147,042,168</b>	<b>18,523,782</b>	<b>70,387,808</b>	<b>23,454,329</b>	<b>16,638,246</b>	<b>10,280,676</b>	<b>7,757,327</b>
<b>Non-Cash Loans</b>	<b>28,675,047</b>	<b>28,675,047</b>	<b>243,079</b>	<b>835,912</b>	<b>16,443,803</b>	<b>6,930,286</b>	<b>3,538,426</b>	<b>683,541</b>

<sup>(\*)</sup> 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.

*Securitisation Positions*

None.

*Credit risk mitigation techniques*

“Basic Financial Guarantee” method is used for the financial guarantees in accordance with “Communique on Credit Risk Mitigation”. Cash or cash equivalent, treasury bill, government bond and guarantees are used in credit risk mitigation.

*Applications on guarantees’ valuation and method*

Policies on the valuation of financial guarantees and their evaluation and valuation of immovable that are received as mortgage for loans have been formed. These policies and procedures are prepared in accordance with “Communique on Credit Risk Mitigation” and include minimum conditions regarding guarantee valuation and management.

*Types of main guarantees received*

Main types of the guarantees that Bank receives for loans provided are mortgages, guarantees/sureties and financial guarantees.

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

*Main guarantors, credit derivatives’ counterparties and their credit worthiness*

Assessment of credit worthiness of main guarantors is determined and monitored in accordance with the lending and intelligence procedures of the Bank.

*Information about market and credit risk concentration in credit risk mitigation*

Market risk and credit risk concentrations are carefully avoided.

*Information about guarantees according to risk classifications*

Information about guarantees according to risk classifications is shown in the table below:

<b>Risk Classification-Current Period</b>	<b>Amount</b>	<b>Financial Guarantees</b>	<b>Other/Physical Guarantees</b>	<b>Guarantees and Credit Derivatives</b>
Claims on sovereigns and Central Banks	57,024,024	7,162,734	-	-
Claims on regional governments or local authorities	3,701,832	14,358	-	-
Claims on administrative bodies and other non-commercial undertakings	1,110,567	25,077	-	-
Claims on multilateral development banks	219	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	10,498,291	3,081,086	-	-
Claims on corporates	62,902,098	789,622	-	1,688,920
Claims included in the regulatory retail portfolios	28,722,154	244,557	-	-
Claims secured by residential property	39,642,054	-	-	-
Past due loans	908,934	-	-	-
Higher risk categories decided by the Agency	11,406,846	16,000	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	7,429,686	-	-	-
<b>Total</b>	<b>223,346,705</b>	<b>11,333,434</b>	<b>-</b>	<b>1,688,920</b>

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

<b>Risk Classification-Prior Period</b>	<b>Amount</b>	<b>Financial Guarantees</b>	<b>Other/Physical Guarantees</b>	<b>Guarantees and Credit Derivatives</b>
Claims on sovereigns and Central Banks	52,348,682	4,810,208	-	-
Claims on regional governments or local authorities	2,990,873	19,276	-	-
Claims on administrative bodies and other non-commercial undertakings	1,053,325	63,400	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	16,770,100	7,032,378	-	-
Claims on corporates	51,793,913	514,692	-	634,888
Claims included in the regulatory retail portfolios	24,732,075	199,482	-	-
Claims secured by residential property	32,867,468	-	-	-
Past due loans	320,657	-	-	-
Higher risk categories decided by the Agency	12,635,218	15,115	-	-
Marketable securities secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other claims	5,656,295	-	-	-
<b>Total</b>	<b>201,168,606</b>	<b>12,654,551</b>	<b>-</b>	<b>634,888</b>

***Risk management strategies and policies***

Risk management strategies are determined so as to support the Parent Bank’s objectives and goals and maintain Parent Bank’s presence by developing the present risk management strategies and corporate wide risk culture in parallel with the changing business and risk environment and by applying the well accepted national and international risk management practices.

The mission of Parent Bank is to continuously increase the values added to the customers, employees, shareholders and society by managing the entrusted assets and values effectively and productively. In this scope, it is fundamental to adopt forward looking risk based approaches through forming high quality assets and good management of liabilities in all activities aiming high quality gains.

The Parent Bank’s risk management strategy is mainly based on avoiding high risks and legal risks with high impacts even if the probability of happening is low, taking measures for the risks that may occur due to ordinary banking activities, procuring protection, transferring risks to third parties through techniques like insurance or credit derivatives and accepting risks that have low impact and probability of occurrence.

Risks are defined, measured, reported and managed in compliance with the policies and national and international standards. In this respect, not only legal limits but also in-bank limits are considered. Up-to-dateness and compliance of the limits are monitored regularly. Credit risk mitigation policies are determined and approved by the Board of Directors. Besides, possible risks are considered by following the changes in the market and economic conditions.

Risk management system and organization have been formed in compliance with the Regulation of Internal Systems.



**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

**Explanations Regarding Leverage Ratio**

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

The Parent Bank’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 6.72%. Increase in balance sheet assets and off-balance sheet transactions resulted in change in comparison with previous period (31 December 2014: 6.96%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Summary table of comparison with the total risk amount Located total assets held in consolidated financial statements in accordance with IAS

	<b>Current Period</b>	<b>Prior Period</b>
Total asset amount in the consolidated financial statements prepared as per TAS <sup>(*)</sup>	179,268,599	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 <sup>(*)</sup>	(1,076,559)	(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 <sup>(*)</sup>	(1,071,807)	(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 <sup>(**)</sup>	16,205,454	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 <sup>(**)</sup>	6,745,053	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 <sup>(**)</sup>	(75,157,323)	(67,168,264)

<sup>(\*)</sup> As the consolidated financial statements, which are prepared according to the 6th paragraph of the article no. 5 of the Communiqué on Preparation of Consolidated Financial Statements of Banks, as of 31.12.2015 have not been published yet, the balances as of 30.06.2015 and 31.12.2014 are shown.

<sup>(\*\*)</sup> 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

**Leverage ratio common disclosure template**

	Current Period <sup>(*)</sup>	Prior Period <sup>(*)</sup>
<b>On-balance sheet exposures</b>		
On-balance sheet items (exclude derivatives and SFTs; include collateral)	188,355,835	156,663,304
Assets deducted in determining Basel III Tier 1 capital	(357,384)	(257,930)
Total on-balance sheet exposures (excluding derivatives and SFTs)	187,998,451	156,405,374
<b>Derivative exposures</b>		
Replacement cost	958,702	407,433
Add-on amount	380,597	233,847
Total derivative exposures	1,339,299	641,280
<b>Securities financing transaction exposures</b>		
Gross SFT assets (with no recognition of accounting netting)	779,920	1,690,988
Agent transaction exposures	-	-
Total securities financing transaction exposures	779,920	1,690,988
<b>Other off-balance sheet exposures</b>		
Off-balance sheet exposures with gross nominal amount	54,444,913	46,704,208
Adjustment amount off-balance sheet exposures with credit conversion factor	1,025,968	561,420
Total off-balance sheet exposures	55,470,881	47,265,628
<b>Capital and total exposures</b>		
Tier 1 capital	16,514,311	14,331,294
Total exposures	245,588,551	206,003,270
<b>Leverage ratio</b>		
Leverage ratio	6.72	6.96

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

**VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets:</b>				
Receivables from Interbank Money Markets	6,699	9,504	6,699	9,504
Banks	6,176,019	3,568,508	6,176,019	3,568,508
Available-for-Sale Financial Assets	17,336,111	16,871,115	17,336,111	16,871,115
Held-to-Maturity Investments	7,677,729	6,854,593	7,496,076	6,983,593
Loans	125,959,679	106,355,671	127,521,403	107,248,004
Financial Leasing Receivables	1,325,825	1,089,987	1,325,825	1,089,987
Factoring Receivables	717,727	510,381	717,727	510,381
<b>Financial Liabilities:</b>				
Bank Deposits	5,578,475	4,750,416	5,610,321	4,750,416
Other Deposits	106,431,522	88,652,197	106,428,225	88,696,535
Funds Borrowed	20,195,047	16,260,655	20,508,451	16,260,391
Securities Issued	10,646,708	10,384,708	10,569,723	10,315,024
Subordinated Loans	4,155,551	2,126,436	4,155,551	2,126,436
Miscellaneous Payables	4,397,761	3,344,419	4,397,761	3,344,419

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

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

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

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

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

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

*Classification of Fair Value Measurement*

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

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

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

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

Classification requires using observable market data if possible.

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

<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	69,685	25,711	-	95,396
Derivative financial assets held for trading purpose	-	885,467	-	885,467
Investment funds	13,167	-	-	13,167
Equity securities	1,832	-	-	1,832
Available-for-sale financial assets				
Equity securities	-	-	79,253	79,253
Debt securities	14,322,018	2,934,840	-	17,256,858
Investments in associates and subsidiaries	-	-	271,913 <sup>(*)</sup>	271,913
<b>Total Financial Assets</b>	<b>14,406,702</b>	<b>3,846,018</b>	<b>351,166</b>	<b>18,603,886</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(304,352)	-	(304,352)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(304,352)</b>	<b>-</b>	<b>(304,352)</b>

**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 YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

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

<b>31 December 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:				
Debt securities	10,798	55,355	-	66,153
Derivative financial assets held for trading purpose	-	379,576	-	379,576
Investment funds	2,947	-	-	2,947
Equity securities	1,565	-	-	1,565
Available-for-sale financial assets				
Equity securities	-	-	-	-
Debt securities	15,378,036	1,493,064	-	16,871,100
Investments in associates and subsidiaries	203,092	-	259,823 <sup>(*)</sup>	462,915
<b>Total Financial Assets</b>	<b>15,596,438</b>	<b>1,927,995</b>	<b>259,823</b>	<b>17,784,256</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(270,627)	-	(270,627)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(270,627)</b>	<b>-</b>	<b>(270,627)</b>

<sup>(\*)</sup> This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended 31 December 2015 is as follows:

	<b>Level 3 Current Period</b>	<b>Level 3 Prior Period</b>
Balance at the beginning of the year	259,823	217,527
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	91,343	42,296
<b>Balance at the end of the year</b>	<b>351,166</b>	<b>259,823</b>

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

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

**X. 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, 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**X. CONSOLIDATED SEGMENT REPORTING (Continued)**

Major financial statement items according to business lines:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	4,219,010	6,709,281	3,034,890	10,251	13,973,432
<i>Interest income from loans</i>	<i>4,219,010</i>	<i>6,535,686</i>	<i>843,641</i>	-	<i>11,598,337</i>
<i>Interest income from reserve deposits</i>	-	-	<i>38,684</i>	-	<i>38,684</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,072,208</i>	-	<i>2,072,208</i>
<i>Interest income from banks</i>	-	-	<i>78,724</i>	-	<i>78,724</i>
<i>Interest income from money market transactions</i>	-	-	<i>1,633</i>	-	<i>1,633</i>
Finance lease income	-	102,526	-	-	102,526
<i>Other interest income</i>	-	<i>71,069</i>	-	<i>10,251</i>	<i>81,320</i>
Interest Expense	2,558,344	3,428,744	2,214,157	36,919	8,238,164
<i>Interest expense on deposits</i>	<i>2,558,344</i>	<i>3,367,161</i>	<i>190,194</i>	-	<i>6,115,699</i>
<i>Interest expense on funds borrowed</i>	-	<i>61,583</i>	<i>300,917</i>	-	<i>362,500</i>
<i>Interest expense on money market transactions</i>	-	-	<i>886,728</i>	-	<i>886,728</i>
<i>Interest expense on securities issued</i>	-	-	<i>595,176</i>	-	<i>595,176</i>
<i>Other interest expenses</i>	-	-	<i>241,142</i>	<i>36,919</i>	<i>278,061</i>
Net Interest Income	1,660,666	3,280,537	820,733	(26,668)	5,735,268
Net Fees and Commissions Income	396,068	380,447	93,814	-	870,329
Trading Income/ Losses (Net)	-	-	139,931	-	139,931
Dividend Income	-	-	37,169	-	37,169
Other Income (*)	-	-	-	2,036,648	2,036,648
Provision For Losses on Loans and Other					
Receivables	738,638	501,235	40,709	355,278	1,635,860
Other Expenses (**)	-	-	-	4,817,078	4,817,078
Income/Loss From Investments Under Equity Accounting	-	-	34,617	-	34,617
<b>Profit Before Taxes</b>	<b>1,318,096</b>	<b>3,159,749</b>	<b>1,085,555</b>	<b>(3,162,376)</b>	<b>2,401,024</b>
Provision for taxes	-	-	-	(527,111)	(527,111)
<b>Net Profit/ Loss</b>	<b>1,318,096</b>	<b>3,159,749</b>	<b>1,085,555</b>	<b>(3,689,487)</b>	<b>1,873,913</b>
<b>SEGMENT ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>36,859,220</b>	<b>73,620,994</b>	<b>70,661,737</b>	<b>8,443,607</b>	<b>189,585,558</b>
<b>SEGMENT LIABILITIES</b>					
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
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>47,588,682</b>	<b>59,214,380</b>	<b>53,925,816</b>	<b>28,856,680</b>	<b>189,585,558</b>

(\*) TL 767,881 amount of TL 2,036,648 shown in other incomes consists of acquired insurance premiums, TL 763,294 of rejecting reserves from previous periods, TL 109,681 of income from the sale of Group’s assets, TL 80,490 of leasing income, TL 64,583 of income from private pension activities, TL 50,723 of communications income and the remaining TL 199,996 of other operating income.

(\*\*) TL 1,539,206 amount of TL 4,817,078 shown in other expenses line consists of personnel expenses, TL 2,046,058 of other operating expenses, TL 169,495 of depreciation expenses, TL 144,017 of dividend reserves expenses to be given to personnel, TL 115,916 of Savings Deposit Insurance Fund (SDIF) expenses, TL 125,706 of taxes and funds expenses, and the remaining TL 676,680 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**X. CONSOLIDATED SEGMENT REPORTING (Continued)**

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	3,574,199	5,481,296	2,595,043	13,986	11,664,524
<i>Interest income from loans</i>	3,574,199	5,355,492	463,549	-	9,393,240
<i>Interest income from reserve deposits</i>	-	-	2,015	-	2,015
<i>Interest income from securities portfolio</i>	-	-	2,061,241	-	2,061,241
<i>Interest income from banks</i>	-	-	67,307	-	67,307
<i>Interest income from money market transactions</i>	-	-	931	-	931
Finance lease income	-	80,667	-	-	80,667
<i>Other interest income</i>	-	45,137	-	13,986	59,123
<i>Interest Expense</i>	2,090,574	2,836,377	1,850,867	31,926	6,809,744
<i>Interest expense on deposits</i>	2,090,574	2,791,066	162,296	-	5,043,936
<i>Interest expense on funds borrowed</i>	-	45,311	197,698	-	243,009
<i>Interest expense on money market transactions</i>	-	-	925,913	-	925,913
<i>Interest expense on securities issued</i>	-	-	445,715	-	445,715
<i>Other interest expenses</i>	-	-	119,245	31,926	151,171
Net Interest Income	1,483,625	2,644,919	744,176	(17,940)	4,854,780
Net Fees and Commissions Income	489,121	185,335	-	-	674,456
Trading Income/ Losses (Net)	-	-	248,795	-	248,795
Dividend Income	-	-	12,229	-	12,229
Other Income (*)	-	-	-	2,119,791	2,119,791
Provision For Losses on Loans and Other Receivables	541,092	749,779	41,499	415,295	1,747,665
Other Expenses (**)	-	-	-	3,903,605	3,903,605
Income/Loss From Investments Under Equity Accounting	-	-	33,077	-	33,077
<b>Profit Before Taxes</b>	<b>1,431,654</b>	<b>2,080,475</b>	<b>996,778</b>	<b>(2,217,049)</b>	<b>2,291,858</b>
Provision for taxes	-	-	-	(478,015)	(478,015)
<b>Net Profit/ Loss</b>	<b>1,431,654</b>	<b>2,080,475</b>	<b>996,778</b>	<b>(2,695,064)</b>	<b>1,813,843</b>
<b>SEGMENT ASSETS</b>					
Securities Portfolio	-	-	23,796,373	-	23,796,373
Derivative Financial Assets Held for Trading Purpose	-	-	379,576	-	379,576
Banks and Receivables From Money Markets	-	-	3,578,012	-	3,578,012
Investments in Associates and Subsidiaries	-	-	523,114	-	523,114
Loans and Receivables	32,966,134	62,243,979	11,145,558	-	106,355,671
Other Assets	-	1,600,368	20,860,935	6,457,413	28,918,716
<b>TOTAL ASSETS</b>	<b>32,966,134</b>	<b>63,844,347</b>	<b>60,283,568</b>	<b>6,457,413</b>	<b>163,551,462</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	38,649,556	50,002,641	4,750,416	-	93,402,613
Derivative Financial Liabilities Held for Trading Purpose	-	-	270,627	-	270,627
Interbank Money Market Takings	-	-	16,655,241	-	16,655,241
Funds Borrowed	-	222,248	16,038,407	-	16,260,655
Securities Issued	-	-	10,384,708	-	10,384,708
Other Liabilities	-	-	2,330,138	4,681,025	7,011,163
Provisions and Tax Liabilities	-	-	-	4,605,932	4,605,932
Equity	-	-	-	14,960,523	14,960,523
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>38,649,556</b>	<b>50,224,889</b>	<b>50,429,537</b>	<b>24,247,480</b>	<b>163,551,462</b>

(\*) TL 707,442 amount of TL 2,119,791 shown in other incomes consists of rejecting reserves from previous periods, TL 663,935 of acquired insurance premiums, TL 385,471 of income from the sale of Group’s assets, TL 85,302 of communications income, TL 48,626 of income from private pension activities, TL 529 of leasing income and the remaining TL 228,486 of other operating income.

(\*\*) TL 1,386,610 amount of TL 3,903,605 shown in other expenses line consists of personnel expenses, TL 1,567,282 of other operating expenses, TL 143,705 of depreciation expenses, TL 129,797 of dividend reserves expenses to be given to personnel, TL 93,190 of Savings Deposit Insurance Fund (SDIF) expenses, TL 113,797 of taxes and funds expenses, and the remaining TL 469,224 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(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	1,157,778	282,194	1,008,220	368,618
Central Bank of Republic of Turkey <sup>(*)</sup>	778,712	19,055,634	3,055,674	17,385,018
Other	197,527	18,069	62,474	11,077
<b>Total</b>	<b>2,134,017</b>	<b>19,355,897</b>	<b>4,126,368</b>	<b>17,764,713</b>

<sup>(\*)</sup> TL 18,422,690 (31 December 2014: TL 16,156,471) 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 2014: ranging from 5% to 11.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 6% to 20% in US Dollar or Euro (31 December 2014: ranging from 6% to 13%).

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	760,146	632,944	3,054,416	1,228,547
Unrestricted time deposits	-	-	-	-
Restricted time deposits	105	-	3	-
Reserve Deposits	18,461	18,422,690	1,255	16,156,471
<b>Total</b>	<b>778,712</b>	<b>19,055,634</b>	<b>3,055,674</b>	<b>17,385,018</b>

**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	52,723	-	10,189	8,468
Other	-	-	-	-
<b>Total</b>	<b>52,723</b>	<b>-</b>	<b>10,189</b>	<b>8,468</b>

***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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(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	2,087	624	3,616	474
Swap transactions	737,149	145,264	338,329	31,410
Futures	-	-	-	-
Options	103	240	530	5,217
Other	-	-	-	-
<b>Total</b>	<b>739,339</b>	<b>146,128</b>	<b>342,475</b>	<b>37,101</b>

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1,185,799	4,990,220	784,978	2,783,530
Domestic	1,185,057	322,562	781,447	462,557
Foreign	742	4,667,658	3,531	2,320,973
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>1,185,799</b>	<b>4,990,220</b>	<b>784,978</b>	<b>2,783,530</b>

*Due from foreign banks*

	Unrestricted Balance		Restricted Balances <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	302,505	224,460	-	97,060
USA, Canada	654,392	1,889,597	77,170	13,108
OECD Countries <sup>(*)</sup>	7,272	7,629	-	-
Off-shore Banking Regions	3,618,247	2,001	1	1,944
Others	8,651	88,705	162	-
<b>Total</b>	<b>4,591,067</b>	<b>2,212,392</b>	<b>77,333</b>	<b>112,112</b>

(\*) EU countries, OECD countries except USA and Canada.

(\*\*) Restricted balances that occur from securitisation loans and other common banking activities

4. Information on available-for-sale financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	1,571,646	1,516,438	1,624,464	354,106
Other	-	-	-	-
<b>Total</b>	<b>1,571,646</b>	<b>1,516,438</b>	<b>1,624,464</b>	<b>354,106</b>



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 YEAR ENDED 31 DECEMBER 2015

(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	3,621,980	-	8,668,579	-
Treasury bills	-	-	-	-
Other debt securities	-	2,647,350	-	3,132,480
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
<b>Total</b>	<b>3,621,980</b>	<b>2,647,350</b>	<b>8,668,579</b>	<b>3,132,480</b>

*Information on available-for-sale financial assets*

	Current Period	Prior Period
<b>Debt securities</b>	<b>17,432,577</b>	<b>16,899,014</b>
Quoted on a Stock Exchange	17,432,577	16,899,014
Unquoted	-	-
<b>Equity securities</b>	<b>79,253</b>	<b>15</b>
Quoted on a Stock Exchange	-	-
Unquoted	79,253	15
<b>Provisions for impairment losses (-)</b>	<b>175,719</b>	<b>27,914</b>
<b>Total</b>	<b>17,336,111</b>	<b>16,871,115</b>

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
<b>Direct loans provided to the shareholders</b>	-	<b>28,550</b>	-	<b>10,174</b>
Legal entities	-	28,550	-	10,174
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>103,366</b>	<b>13</b>	<b>86,722</b>	<b>27</b>
<b>Total</b>	<b>103,366</b>	<b>28,563</b>	<b>86,722</b>	<b>10,201</b>

*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
<b>Non-specialized loans</b>	<b>118,191,779</b>	<b>744,459</b>	-	<b>5,071,515</b>	<b>1,032,283</b>	-
Loans given to enterprises	36,177,053	252,115	-	1,476,492	697,629	-
Export loans	4,492,712	-	-	128,661	4,931	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3,306,606	-	-	20	-	-
Consumer loans	30,757,784	139,899	-	1,617,170	268,509	-
Credit cards	4,849,296	-	-	358,469	20,085	-
Other	38,608,328	352,445	-	1,490,703	41,129	-
<b>Specialized lending</b>	<b>1,802</b>	-	-	-	-	-
<b>Other receivables</b>	<b>8,907</b>	-	-	-	-	-
<b>Total</b>	<b>118,202,488</b>	<b>744,459</b>	-	<b>5,071,515</b>	<b>1,032,283</b>	-

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 YEAR ENDED 31 DECEMBER 2015

(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	744,459	741,343
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	4,163	571
6-12 Months	82	234
1-2 Years	9,107	8,842
2-5 Years	491,068	227,179
5 Years and Over	240,039	504,517

(\*) 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.

*Maturity analysis of cash loans*

	<b>Performing Loans and Other Receivables</b>		<b>Loans under Follow-Up and Other Receivables</b>	
	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>
<b>Cash loans</b>				
<b>Short-term Loans and Other Receivables</b>	<b>32,952,317</b>	<b>19,560</b>	<b>1,969,106</b>	<b>89,658</b>
Loans	32,943,410	19,560	1,969,106	89,658
Specialization loans	-	-	-	-
Other Receivables	8,907	-	-	-
<b>Medium, Long-term Loans and Other Receivables</b>	<b>85,250,145</b>	<b>724,926</b>	<b>3,102,408</b>	<b>942,625</b>
Loans	85,248,343	724,926	3,102,408	942,625
Specialization loans	1,802	-	-	-
Other Receivables	-	-	-	-

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 YEAR ENDED 31 DECEMBER 2015

(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
<b>Consumer loans – TL</b>	<b>351,409</b>	<b>30,415,076</b>	<b>30,766,485</b>
Housing loans	6,587	15,109,922	15,116,509
Automobile loans	5,708	461,224	466,932
General purpose loans	339,114	14,843,930	15,183,044
Other	-	-	-
<b>Consumer loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	<b>2,058</b>	<b>6,686</b>	<b>8,744</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	2,058	6,686	8,744
Other	-	-	-
<b>Retail credit cards – TL</b>	<b>3,690,264</b>	<b>81,893</b>	<b>3,772,157</b>
With instalment	1,605,894	75,592	1,681,486
Without instalment	2,084,370	6,301	2,090,671
<b>Retail credit cards – FC</b>	<b>8,844</b>	<b>-</b>	<b>8,844</b>
With instalment	-	-	-
Without instalment	8,844	-	8,844
<b>Personnel loans – TL</b>	<b>3,345</b>	<b>43,912</b>	<b>47,257</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	3,345	43,912	47,257
Other	-	-	-
<b>Personnel loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	<b>480</b>	<b>-</b>	<b>480</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	480	-	480
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>55,177</b>	<b>207</b>	<b>55,384</b>
With instalment	21,295	193	21,488
Without instalment	33,882	14	33,896
<b>Personnel credit cards – FC</b>	<b>245</b>	<b>-</b>	<b>245</b>
With instalment	-	-	-
Without instalment	245	-	245
<b>Overdraft Checking Accounts – TL (Real persons)</b>	<b>1,960,277</b>	<b>-</b>	<b>1,960,277</b>
<b>Overdraft Checking Accounts – FC (Real persons)</b>	<b>119</b>	<b>-</b>	<b>119</b>
<b>Total</b>	<b>6,072,218</b>	<b>30,547,774</b>	<b>36,619,992</b>

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 YEAR ENDED 31 DECEMBER 2015

(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
<b>Instalment-based commercial loans – TL</b>	<b>981,266</b>	<b>23,225,014</b>	<b>24,206,280</b>
Real estate loans	9,662	821,378	831,040
Automobile loans	66,901	1,652,480	1,719,381
General purpose loans	904,703	20,751,156	21,655,859
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>20,249</b>	<b>1,220,421</b>	<b>1,240,670</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	20,249	1,220,421	1,240,670
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>929,512</b>	<b>6,554,362</b>	<b>7,483,874</b>
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	929,512	6,496,440	7,425,952
Other	-	57,922	57,922
<b>Corporate credit cards – TL</b>	<b>1,390,701</b>	<b>372</b>	<b>1,391,073</b>
With instalment	485,628	372	486,000
Without instalment	905,073	-	905,073
<b>Corporate credit cards – FC</b>	<b>147</b>	<b>-</b>	<b>147</b>
With instalment	-	-	-
Without instalment	147	-	147
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,132,243</b>	<b>-</b>	<b>1,132,243</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,454,118</b>	<b>31,000,169</b>	<b>35,454,287</b>

*Allocation of loan customers*

	Current Period	Prior Period
Public Sector	990,679	1,341,881
Private Sector	124,060,066	104,693,133
<b>Total</b>	<b>125,050,745</b>	<b>106,035,014</b>

*Allocation of domestic and overseas loans*

	Current Period	Prior Period
Domestic loans	124,574,596	105,692,668
Foreign loans	476,149	342,346
<b>Total</b>	<b>125,050,745</b>	<b>106,035,014</b>

*Loans to associates and subsidiaries*

	Current Period	Prior Period
Directly loans to associates and subsidiaries	1,071	16
Indirectly loans to associates and subsidiaries	-	-
<b>Total</b>	<b>1,071</b>	<b>16</b>

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 YEAR ENDED 31 DECEMBER 2015

(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	99,970	60,819
Loans and receivables with doubtful collectability	388,461	550,374
Uncollectible loans and receivables	3,740,748	3,250,115
<b>Total</b>	<b>4,229,179</b>	<b>3,861,308</b>

*Information on non-performing loans (Net)*

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b>	<b>51,611</b>	<b>88,881</b>	<b>59,591</b>
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	51,611	88,881	59,591
<b>Prior period</b>	<b>34,563</b>	<b>92,576</b>	<b>82,945</b>
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	34,563	92,576	82,945

*Movements in non-performing loan groups*

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Balance at the beginning of the period</b>	<b>304,207</b>	<b>563,700</b>	<b>3,314,057</b>
Additions (+)	1,927,998	37,457	89,391
Transfers from other categories of loans under follow-up (+)	-	1,523,175	1,135,155
Transfers to other categories of loans under follow-up (-) (*)	1,566,877	1,048,828	125,124
Collections (-)	164,277	290,710	563,613
Write-offs (-)	-	-	1,534
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	1,534
Currency differences	9	54	3,873
<b>Balance at the end of the period</b>	<b>501,060</b>	<b>784,848</b>	<b>3,852,205</b>
Specific provisions (-) (**)	99,970	388,461	3,740,748
<b>Net balance on balance sheet</b>	<b>401,090</b>	<b>396,387</b>	<b>111,457</b>

(\*) 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 31 December 2015, the Parent Bank reserved 100% provision for TL 12,818 after the date it was placed in the third group, which is the remaining portion of non-performing loans of TL 47,509 given to a group 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015**

(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*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Balance at the end of the period	24,405	88,660	380,742
Specific provision (-)	5,902	44,296	340,558
<b>Net balance on balance sheet</b>	<b>18,503</b>	<b>44,364</b>	<b>40,184</b>
<b>Prior Period</b>			
Balance at the end of the period	23,332	3,507	360,219
Specific provision (-)	4,296	3,026	331,347
<b>Net balance on balance sheet</b>	<b>19,036</b>	<b>481</b>	<b>28,872</b>

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*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>401,090</b>	<b>396,387</b>	<b>111,457</b>
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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(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)

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Prior Period (Net)</b>	<b>248,016</b>	<b>32,518</b>	<b>40,123</b>
Consumer and Commercial Loans (Gross)	305,619	576,523	3,225,510
Specific Provision (-)	60,176	544,005	3,185,387
Consumer and Commercial Loans (Net)	245,443	32,518	40,123
Banks (Gross)	-	-	6,321
Specific Provision (-)	-	-	6,321
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	3,216	6,369	58,407
Specific Provision (-)	643	6,369	58,407
Other Loans and Receivables (Net)	2,573	-	-

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	7,546,748	-	6,761,749	-
Treasury bills	-	-	-	-
Other securities issued by the governments	-	-	-	-
<b>Total</b>	<b>7,546,748</b>	<b>-</b>	<b>6,761,749</b>	<b>-</b>

*Information on held-to-maturity investment securities*

	Current Period	Prior Period
<b>Debt Securities</b>	<b>7,683,950</b>	<b>6,860,448</b>
Quoted at stock exchanges	7,552,969	6,767,604
Unquoted at stock exchanges	130,981	92,844
<b>Impairment losses (-)</b>	<b>6,221</b>	<b>5,855</b>
<b>Total</b>	<b>7,677,729</b>	<b>6,854,593</b>

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

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>6,854,593</b>	<b>5,413,171</b>
Foreign currency differences on monetary assets	44,702	7,990
Purchases during the period	1,610,704	2,924,991
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,129,187)	(1,773,902)
Impairment losses	(366)	51,505
Change in amortized costs of the securities (*)	297,283	230,838
<b>Balances at the end of the period</b>	<b>7,677,729</b>	<b>6,854,593</b>

(\*) 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 FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(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	495,970	130,950	527,655	130,981
Investments subject to repurchase agreements	5,428,798	-	6,050,350	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	935,631	-	968,743	-
<b>Total</b>	<b>6,860,399</b>	<b>130,950</b>	<b>7,546,748</b>	<b>130,981</b>

Prior Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	931,961	92,800	972,002	92,844
Investments subject to repurchase agreements	5,289,597	-	5,629,267	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	150,772	-	160,480	-
<b>Total</b>	<b>6,372,330</b>	<b>92,800</b>	<b>6,761,749</b>	<b>92,844</b>

(\*) 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 (%)
1 Roketsan Roket Sanayi ve Ticaret A.Ş. (*)	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi A.Ş.	İstanbul/Turkey	9.70	9.70
3 Kredi Kayıt Bürosu A.Ş. (*)	İstanbul/Turkey	9.09	9.09
4 Güçbirliği Holding A.Ş.	İzmir/Turkey	0.07	0.07
5 İzmir Enternasyonel Otelcilik A.Ş.	İstanbul/Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası A.Ş.	İstanbul/Turkey	4.37	4.37
7 Kredi Garanti Fonu A.Ş. (*)	Ankara/Turkey	1.69	1.69
8 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/NCTR	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	2,960,026	557,498	514,006	7,060	-	(50,090)	96,304	-
2	68,358	29,660	42,971	1,019	-	3,869	3,490	-
3	129,527	104,842	62,914	3,663	-	26,782	18,547	-
4	135,958	(32,158)	88,031	571	-	(17,521)	(8,600)	-
5	108,514	371	88,782	6	-	(18,136)	(5,610)	-
6	7,092,438	911,026	101,803	217,407	16,228	174,728	121,492	-
7	316,348	278,439	5,500	9,906	-	19,899	10,213	-
8	1,390	(78,268)	-	-	-	(7,452)	(5,465)	-

(\*) Financial information as at 30 September 2015 has been presented for these subsidiaries.



**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 YEAR ENDED 31 DECEMBER 2015**

(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 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.

In the prior period, subsequent to the approval of the decision of İstanbul Takas ve Saklama Bankası A.Ş., an associate of the Bank in the Ordinary Meeting of General Assembly of the Company dated 28 March 2014, the capital has been increased from TL 420,000 to TL 600,000, TL 120,000 has been paid from bonus shares and TL 60,000 has been paid in cash amounting to TL 180,000 in total. The stock right in cash capital commitment has been removed related to the capital increase and the usage of Istanbul Stock Exchange, Banks’ share percentage has been decreased from 4.86% to 4.37%.

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 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.

***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	865,426	82,247	9,477	67,589	3,218	3,337	11,969	-
2	21,366,580	2,783,792	746,288	779,989	322,303	410,590	374,111	2,603,218

(\*) Financial information is obtained from the reviewed consolidated financial statements as at 31 December 2015 announced at Public Disclosure Platform.

**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 YEAR ENDED 31 DECEMBER 2015**

(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 Türkiye Sınai Kalkınma Bankası A.Ş. from TL 1,500,000 to TL 1,750,000 in the Ordinary Meeting of General Assembly of the Company dated 26 March 2015, the share of the Bank amounting to TL 20,944 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası A.Ş. from TL 1,300,000 to TL 1,500,000 in the Ordinary Meeting of General Assembly of the Company dated 27 March 2014, the share of the Bank amounting to TL 16,755 is presented in the movement table of investments in associates as bonus shares received.

*Movement of consolidated investments in associates*

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period</b>	<b>259,957</b>	<b>203,241</b>
<b>Movements during the period</b>	<b>(35,688)</b>	<b>56,716</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	20,944	16,755
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	(56,632)	39,961
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>224,269</b>	<b>259,957</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of period (%)</b>	-	-

*Sectoral distribution of consolidated investments and associates*

	<b>Current Period</b>	<b>Prior Period</b>
Banks	224,269	259,957
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>224,269</b>	<b>259,957</b>

**Quoted associates**

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	218,150	253,838
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>218,150</b>	<b>253,838</b>

*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 YEAR ENDED 31 DECEMBER 2015

(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	65,000	35,000	22,400	150,000	26,500	3,000	205,400	20,000
Share Premium	-	-	-	-	-	-	-	246,731	-
Adjustment to paid-in capital	-	239	(260)	28,907	(1,493)	7,021	47	21,992	59
Valuation changes in marketable securities	18,725	2,680	48,986	283	232,709	340	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	15,105	-	-	133,413	50,005	-	-	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	59	191	-	-	-
Legal Reserves	8,824	3,910	5,644	5,128	17,179	18,385	920	4,709	395
Extraordinary Reserves	-	32,963	7,368	34,943	19,247	38,943	7,919	73,477	-
Other Profit Reserves	170,248	-	2,308	-	-	-	-	-	-
Profit/Loss	107,257	23,634	(4,587)	14,049	(324,291)	113,391	3,301	33,805	(2,771)
Prior Period's Profit/Loss	102,600	-	872	-	(144,975)	54,925	-	-	(2,490)
Current Period's Profit/Loss	4,657	23,634	(5,459)	14,049	(179,316)	58,466	3,301	33,805	(281)
Minority Rights	-	111	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>419,537</b>	<b>143,642</b>	<b>94,459</b>	<b>105,710</b>	<b>226,823</b>	<b>254,776</b>	<b>15,187</b>	<b>586,114</b>	<b>17,683</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>419,537</b>	<b>143,642</b>	<b>94,459</b>	<b>105,710</b>	<b>226,823</b>	<b>254,776</b>	<b>15,187</b>	<b>586,114</b>	<b>17,683</b>
<b>NET AVAILABLE EQUITY</b>	<b>419,537</b>	<b>143,642</b>	<b>94,459</b>	<b>105,710</b>	<b>226,823</b>	<b>254,776</b>	<b>15,187</b>	<b>586,114</b>	<b>17,683</b>

(\*) Audited BRSA financial statements as of 31 December 2015 are considered.

**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 YEAR ENDED 31 DECEMBER 2015**

(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 Undersecretariat of Treasury as six months periods. According to the calculations at 31 December 2015, there is no capital requirement for the subsidiaries mentioned.

*Unconsolidated investments in subsidiaries*

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

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/(Loss)</b>	<b>Prior Years’ Profit/(Loss)</b>	<b>Fair Value</b>
1	22,604	6,167	1,073	287	-	(1,736)	182	14,100
2	371,186	359,071	243,396	6,512	-	9,112	6,080	364,500
3	47,990	40,368	653	2,828	1,272	3,861	3,420	53,100
4	30,049	25,648	389	2,213	122	829	4,362	40,900

(\*) Financial information as at 30 September 2015 has been presented for these subsidiaries.

(\*\*) Financial information as at 30 June 2015 has been presented for these subsidiaries.

(\*\*\*) Financial information as at 31 December 2014 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 current 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 (54.29%).

In the prior period, at the Extraordinary General Assembly of Taksim Otelcilik A.Ş. dated 24 June 2014, the decision of increasing the capital from TL 269,257 to TL 334,257 through rights offering by TL 65,000. The related change has been registered on 22 July 2014. The nominal share of the Bank TL 137,324 has been increased by cash TL 33,151 to TL 170,474. The share percentage of the Bank is remained the same 51.00%. TL 8,288 of the cash commitment amounting to TL 33,151 is paid on 15 July 2014, TL 24,863 is paid on 2 October 2014.

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 YEAR ENDED 31 DECEMBER 2015

(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	1,536,797	306,102	505,414	36,609	17,139	(162,569)	13,440	275,394
2	3,767,621	196,387	99,596	21,365	659	25,881	21,162	705,800
3	780,829	105,709	2,746	71,634	-	14,047	10,052	79,300
4	1,505,588	143,644	20,098	142,595	-	23,637	(3,863)	77,808
5	220,163	94,458	790	6,008	1,303	(5,459)	3,830	86,700
6	3,092,692	399,531	964	84,931	17,947	8,957	33,078	482,382
7	14,673	14,123	245	1,020	23	2,236	1,913	56,900
8	18,040	17,682	25	403	12,123	(281)	19	16,022
9	772,101	770,829	485,566	24,077	-	22,403	14,498	468,342

(\*) These figures are obtained from audited 31 December 2015 financial statements announced at Public Disclosure Platform.

(\*\*) Financial information as at 30 September 2015 has been presented for these subsidiaries.

(\*\*\*) These figures are obtained from reviewed 30 September 2015 financial statements announced at Public Disclosure Platform.

*Movement table of consolidated investments in subsidiaries in consolidated financial statements*

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>1,187,597</b>	<b>1,163,983</b>
<b>Movements during the period</b>	<b>162,573</b>	<b>23,614</b>
Transfers	-	-
Acquisitions	-	172,562
Bonus shares received	805	-
Share of current year profit	(26,186)	(32,389)
Sales and liquidations	-	-
Fair value changes	199,779	(118,756)
Impairment losses	(11,825)	2,197
<b>Balance at the end of the period</b>	<b>1,350,170</b>	<b>1,187,597</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

**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 YEAR ENDED 31 DECEMBER 2015**

(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*

	<b>Current Period</b>	<b>Prior Period</b>
Measured at cost	-	-
Measured at fair value	1,350,170	1,187,597
Equity method of accounting	-	-
<b>Total</b>	<b>1,350,170</b>	<b>1,187,597</b>

*Sectoral distribution of consolidated investments in financial subsidiaries*

	<b>Current Period</b>	<b>Prior Period</b>
Insurance companies	480,532	402,769
Banks	434,144	321,124
Factoring companies	62,163	65,273
Leasing companies	45,681	45,149
Financing companies	-	-
Other financial subsidiaries	327,650	353,282
<b>Total</b>	<b>1,350,170</b>	<b>1,187,597</b>

*Quoted consolidated subsidiaries*

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at domestic stock exchanges	330,703	378,037
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>330,703</b>	<b>378,037</b>

*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 has not got any subsidiary that are purchased in the current period in the scope of consolidation. In the current period, the title of Vakıf Finans Factoring Hizmetleri A.Ş. has been changed to Vakıf Faktoring A.Ş., the aforementioned change of title has been registered on 13 April 2015.

In the current 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 current 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%.

**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 YEAR ENDED 31 DECEMBER 2015**

(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, Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. has decided to increase the capital of TL 15,000 to TL 20,000 in its registered capital ceiling amounting to TL 50,000 in accordance with Capital Markets Board’s temporary clause 1 of “Communique on Securities Investment Associations” (III-48.2). In the capital increase, Bank’s nominal share amount has increased from TL 1,763 to TL 2,351 with an increase of TL 588 by using stock rights on 25 November 2014. Besides, in order to finalize the capital increase, Bank has purchased additional shares from stock rights that have not been used in due, amounting to TL 2,228 from Istanbul Stock Exchange Share Market on 2 December 2014. In this context, The Parent Bank’s total nominal share has increased to TL 4,579 and share percentage has increased to 22.89%. The share of the Bank amounting to TL 2,815 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, related to the capital increase of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. from TL 106,200 to TL 203,320, the Bank has obtained shares with a nominal value of TL 29,345 at a rate of TL 3.44 by using the stock rights. For these shares TL 100,947 has been paid. Besides, Bank has obtained shares with a nominal value of TL 20,000 at TL 3.44 rate since the other shareholders did not use their stock rights. Bank has paid TL 68,800 for the shares. As at 4 July 2014, company’s capital increase has been registered and as of the date the existing nominal share of the Bank has been increased from TL 29,345 to TL 78,690 Bank’s share percentage has been increased from 27.63% to 38.70%. The capital increase as of TL 169,747 is presented in the acquisitions and capital increases in the movement table of investments in subsidiaries.

In the prior period, the title of Vakıf B Tipi Menkul Kıymetler Yatırım Ortaklığı has been changed to Vakıf Menkul Kıymet Yatırım Ortaklığı. The new title of the company has been registered on 9 April 2014.

**9. Investments in joint-ventures**

There is not any investment in joint-ventures of the Group.

**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	82,589	78,324	61,740	59,415
Between 1-4 years	782,065	694,895	693,909	593,778
Longer than 4 years	671,417	552,606	518,153	436,794
<b>Total</b>	<b>1,536,071</b>	<b>1,325,825</b>	<b>1,273,802</b>	<b>1,089,987</b>

*Net investments in finance lease receivables*

	Current Period	Prior Period
Gross finance lease receivables	1,536,071	1,273,802
Unearned income on finance lease receivables (-)	(210,246)	(183,815)
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>1,325,825</b>	<b>1,089,987</b>

*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 YEAR ENDED 31 DECEMBER 2015**

(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 derivative financial instruments held for risk management purposes**

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

None.

**12. Information on tangible assets**

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the prior year:</b>					
Cost	693,825	137,264	45,929	941,529	1,818,547
Accumulated depreciation(-)	262,319	128,354	36,855	587,922	1,015,450
Impairment(-)	18,224	-	-	-	18,224
<b>Net book value</b>	<b>413,282</b>	<b>8,910</b>	<b>9,074</b>	<b>353,607</b>	<b>784,873</b>
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	413,282	8,910	9,074	353,607	784,873
Additions	1,064,712	5,211	1,935	234,534	1,306,392
Cost of the disposals	539,076	9,743	9,664	18,433	576,916
Depreciation of the disposals (-)	268,421	9,695	8,652	8,326	295,094
Depreciation of the current year	16,578	3,237	4,704	108,691	133,210
Impairment (-)	6,475	1,930	406	13,380	22,191
Exchange differences related to foreign associates	32	-	-	44	76
Cost at the end of the current year	1,219,493	132,732	38,200	1,157,674	2,548,099
Accumulated depreciation at the end of the year (-)	10,476	121,896	32,907	688,287	853,566
Impairment (-)	24,699	1,930	406	13,380	40,415
<b>Net book value at the end of the current year</b>	<b>1,184,318</b>	<b>8,906</b>	<b>4,887</b>	<b>456,007</b>	<b>1,654,118</b>

**13. Information on intangible assets**

Group’s intangible assets consist of computer softwares and licenses. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before 31 December 2004, over their initial costs for the items purchased after 31 December 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

**14. Information on investment properties**

As at 31 December 2015, the Group has investment property amounting to TL 9,924 (31 December 2014: TL 24,185) which belongs the subsidiaries operating in the insurance business and TL 277,802 (31 December 2014: 167,815) which belongs the subsidiaries operating in real estate investment.

**15. Information on tax assets**

**Current tax assets**

As at 31 December 2015 the current tax asset of the Group amounts to TL 3,731 (31 December 2014: TL 9,331).



**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

**Deferred tax assets**

Items generating deferred tax assets or liabilities are listed below as at 31 December 2015 and 31 December 2014:

	<b>Current Period</b>	<b>Prior Period</b>
Provision for employee termination benefits and unused vacations	91,563	81,757
Other provisions	81,175	28,083
Valuation differences of associates and subsidiaries	27,704	54,050
Deductible financial losses	26,418	-
Investment incentives	9,697	17,213
Valuation differences of financial assets and liabilities	78,160	121,671
Reporting Standards - Tax Code depreciation differences	7,252	10,303
Other differences	5,209	14,615
<b>Deferred tax assets</b>	<b>327,178</b>	<b>327,692</b>
Net-off of the deferred tax assets and liabilities from the same entity	<b>(187,993)</b>	<b>(154,733)</b>
<b>Deferred tax assets, (net)</b>	<b>139,185</b>	<b>172,959</b>
Valuation differences of financial assets and liabilities	133,654	122,064
Valuation difference for associates and subsidiaries	18,421	40,059
Valuation differences of properties	47,351	-
Other differences	11,657	7,818
<b>Deferred tax liabilities</b>	<b>211,083</b>	<b>169,941</b>
Net-off of the deferred tax assets and liabilities from the same entity	<b>(187,993)</b>	<b>(154,733)</b>
<b>Deferred tax liabilities, (net)</b>	<b>23,090</b>	<b>15,208</b>

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

As at 31 December 2015, net book value of assets held for sale of the Group is amounting to TL 994,991 (31 December 2014: TL 747,482).

**17. Information on other assets**

As at 31 December 2015 and 31 December 2014, the details of other assets are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Receivables from insurance operations	1,002,182	842,523
Receivables from credit card payments	923,489	772,007
Prepaid expenses	669,777	705,381
Guarantees given for repurchase agreements	143,978	193,605
Guarantees given for derivative financial instruments	501,035	351,579
Receivables from term sale of assets	44,567	68,664
Receivables from reinsurance companies	23,311	54,057
Deferred commission expenses	68,427	31,841
Other	675,587	338,730
<b>Total</b>	<b>4,052,353</b>	<b>3,358,387</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20,635,404</b>	<b>-</b>	<b>18,065,108</b>	<b>59,942,157</b>	<b>3,987,300</b>	<b>3,473,828</b>	<b>5,906,200</b>	<b>-</b>	<b>112,009,997</b>

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	3,715,353	-	463,572	18,032,423	1,393,667	328,345	136,781	-	24,070,141
Foreign currency deposits	3,472,263	-	2,181,070	11,351,517	1,426,041	1,426,188	4,245,584	-	24,102,663
Residents in Turkey	3,056,116	-	2,174,847	11,162,513	1,193,080	494,191	794,731	-	18,875,478
Residents in abroad	416,147	-	6,223	189,004	232,961	931,997	3,450,853	-	5,227,185
Public sector deposits	3,583,281	-	2,370,191	5,695,639	437,138	2,788,470	190,212	-	15,064,931
Commercial deposits	2,154,441	-	4,610,468	9,566,212	422,470	233,506	5,478	-	16,992,575
Other	3,208,185	-	1,102,804	2,747,775	380,429	98,701	29,638	-	7,567,532
Precious metal deposits	854,355	-	-	-	-	-	-	-	854,355
Bank deposits	66,930	-	3,466,419	1,086,606	80,387	33,206	16,868	-	4,750,416
Central Bank	424	-	-	-	-	-	-	-	424
Domestic banks	3,696	-	3,288,392	422,069	2,016	33,206	16,868	-	3,766,247
Foreign banks	59,181	-	178,027	664,537	78,371	-	-	-	980,116
Participation banks	3,629	-	-	-	-	-	-	-	3,629
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17,054,808</b>	<b>-</b>	<b>14,194,524</b>	<b>48,480,172</b>	<b>4,140,132</b>	<b>4,908,416</b>	<b>4,624,561</b>	<b>-</b>	<b>93,402,613</b>

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 YEAR ENDED 31 DECEMBER 2015

(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	15,480,662	12,652,145	12,863,935	11,417,996
Foreign currency saving deposits	4,788,666	3,846,786	11,939,036	8,435,919
Other saving deposits	-	-	-	-
Foreign branches’ deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>20,269,328</b>	<b>16,498,931</b>	<b>24,802,971</b>	<b>19,853,915</b>

*Saving deposits out of insurance coverage limits*

	Current Period	Prior Period
Deposits and other accounts at foreign branches	24,839	21,061
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	5,438	3,905
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	1,508	594	3,209	458
Swaps	123,057	150,342	62,110	199,156
Futures	-	-	-	-
Options	28,612	239	457	5,237
<b>Total</b>	<b>153,177</b>	<b>151,175</b>	<b>65,776</b>	<b>204,851</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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	567,038	609,386	698,396	214,926
Foreign banks, institutions and funds	365,313	18,653,310	871,227	14,476,106
<b>Total</b>	<b>932,351</b>	<b>19,262,696</b>	<b>1,569,623</b>	<b>14,691,032</b>

*Maturity information of funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term (*)	479,073	2,024,300	1,283,259	7,322,336
Medium and Long-term (*)	453,278	17,238,396	286,364	7,368,696
<b>Total</b>	<b>932,351</b>	<b>19,262,696</b>	<b>1,569,623</b>	<b>14,691,032</b>

(\*) 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 11.70% (31 December 2014: 10.94%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On 16 April 2014, the Parent Bank has obtained syndicated loan at the amount of US Dollar 270.5 million and Euro 525 million with the interest rate of US Libor +0.90% and Euribor +0.90% at a maturity of one year, with participation of 35 banks with the coordination of Wells Fargo Bank N.A., London Branch and Sumitomo Mitsui Banking Corporation, Brussels Branch acting as agent. On 17 April 2015, the loan has been renewed with a new syndicated loan amounting to US Dollar 204 million and Euro 763 million with the interest rate of US Libor +0.8% and Euribor +0.8% at a maturity of 367 days with participation of 35 banks, Wells Fargo Bank, N.A., 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 amounting to 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 amounting to 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 YEAR ENDED 31 DECEMBER 2015**

(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 Bank (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 31 December 2015, total securitization loan amounts to US Dollar 936 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 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), 190 private placements have been realized with 16 separate banks since June 2013. These placements have been realized in different currencies (US Dollar, Euro and CHF) at the maturities of 3 months, 6 months, 1 year and 2 years and in total amount to US Dollar 4,265 million equivalents. As at 31 December 2015 total private placement transactions amount to US Dollar 390 million equivalents.

<b>Current Period</b>	<b>TL</b>		<b>FC</b>	
	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Short Term</b>	<b>Medium-Long Term</b>
Nominal	3,202,374	-	946,566	6,388,240
Cost	3,198,134	-	946,565	6,341,816
<b>Net Book Value</b>	<b>3,257,620</b>	<b>-</b>	<b>949,615</b>	<b>6,439,473</b>

<b>Prior Period</b>	<b>TL</b>		<b>FC</b>	
	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Short Term</b>	<b>Medium-Long Term</b>
Nominal	2,930,927	-	2,306,544	5,166,048
Cost	2,813,866	-	2,306,501	5,130,431
<b>Net Book Value</b>	<b>2,866,343</b>	<b>-</b>	<b>2,315,445</b>	<b>5,202,920</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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*

	<b>Current Period</b>	<b>Prior period</b>
Provisions for loans and receivables in Group I	1,606,200	1,326,468
-Additional provision for loans with extended payment plans	26,422	26,989
Provisions for loans and receivables in Group II	231,853	175,204
-Additional provision for loans with extended payment plans	21,057	14,696
Provisions for non-cash loans	106,422	93,418
Other	13,128	8,152
<b>Total</b>	<b>1,957,603</b>	<b>1,603,242</b>

*Information on employee rights*

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

As of 31 December 2015, TL 369,078 (31 December 2014: TL 344,858) provision for severance pay and TL 90,553 (31 December 2014: TL 81,733) provision for unused vacation are stated in financial statements under employee rights provision.

**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

Movement of severance pay provision in the period:

	<b>Current Period</b>	<b>Previous Period</b>
<b>Opening balance</b>	<b>344,858</b>	<b>289,501</b>
Current service cost	33,928	25,139
Previous service cost	-	134
Interest cost	27,396	25,086
Paid compensation	(34,984)	(40,406)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	214	482
Actuary loss/(gain)	(2,382)	44,936
Net foreign exchange differences from foreign subsidiaries	48	(14)
<b>Closing balance</b>	<b>369,078</b>	<b>344,858</b>

***Provision for exchange rate differences on foreign currency indexed loans***

As at 31 December 2015 the Group has recorded provision for foreign exchange losses on principal amounts of foreign currency indexed loans amounting to TL 17,160 (31 December 2014: TL 12,048) and has reflected the related foreign exchange loss amount in the consolidated financial statements by offsetting from related loans.

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

As of 31 December 2015, the Bank has recorded TL 40,930 (31 December 2014: TL 63,030) as specific provisions for non-cash loans that are not indemnified or converted into cash.

***Information on insurance technical provisions***

	<b>Current Period</b>	<b>Prior Period</b>
Unearned Premium Reserves	715,692	646,856
Outstanding Claims Reserves	1,108,017	950,292
Life Mathematical Reserves	265,760	44,010
Other	2,086	1,554
<b>Total</b>	<b>2,091,555</b>	<b>1,642,712</b>

**Information on other provisions**

***Information on other provisions exceeding 10% of total provisions***

	<b>Current Period</b>	<b>Prior period</b>
Provisions for credits	182,585	105,005
Specific provisions for non-cash loans	40,930	63,030
Provision for cheques	47,020	37,556
Provisions for lawsuits against the Bank	9,316	16,142
Provisions for credit card promotions	9,100	10,177
Other provisions	16,258	6,962
<b>Total</b>	<b>305,209</b>	<b>238,872</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

**8. Taxation**

*Current Taxes*

As at and for the year ended 31 December 2015, the tax liability of the Group is amounting to TL 233,004 (31 December 2014: TL 249,673).

*Information on taxes payable*

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	233,004	249,673
Taxation on securities	151,721	123,184
Capital gains tax on property	2,477	2,176
Banking and Insurance Transaction Tax (BITT)	77,808	59,943
Taxes on foreign exchange transactions	-	-
Value added tax payable	4,879	3,538
Other	41,348	35,796
<b>Total</b>	<b>511,237</b>	<b>474,310</b>

*Information on premiums payable*

	<b>Current Period</b>	<b>Prior Period</b>
Social security premiums- employee share	811	757
Social security premiums- employer share	2,095	1,781
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	10	2
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	695	622
Unemployment insurance- employer share	1,503	1,308
Other	8	7
<b>Total</b>	<b>5,122</b>	<b>4,477</b>

*Information on deferred tax liabilities*

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

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

None.



**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 YEAR ENDED 31 DECEMBER 2015**

(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 4,155,551 as of 31 December 2015 (31 December 2014: TL 2,126,436).

**11. Information on shareholders’ equity**

**Paid-in capital**

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the 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***

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

At the resolutions of Board of Directors dated 2 January 2015 and 61st Ordinary Meeting of the General Assembly dated 30 March 2015, 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 YEAR ENDED 31 DECEMBER 2015**

(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*

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	39,342	-	62,289	-
Fair value differences of available-for-sale securities	(266,736)	257,405	178,440	280,801
Foreign exchange differences	-	-	-	-
<b>Total</b>	<b>(227,394)</b>	<b>257,405</b>	<b>240,729</b>	<b>280,801</b>

**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	7,399,361	7,641,987
Loan granting commitments	8,494,747	8,068,201
Commitments for cheque payments	1,805,569	1,638,976
Asset purchase sale commitments	3,843,373	2,686,862
Other	1,507,923	759,783
<b>Total</b>	<b>23,050,973</b>	<b>20,795,809</b>

*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 40,930 (31 December 2014: TL 63,030) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 97,721 (31 December 2014: TL 129,638).

**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 YEAR ENDED 31 DECEMBER 2015**

(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*

	<b>Current Period</b>	<b>Prior Period</b>
Final letters of guarantee	9,289,202	7,737,748
Letters of guarantee for advances	3,438,136	2,603,790
Letters of guarantee given to custom offices	1,030,530	913,389
Provisional letters of guarantee	935,981	1,107,255
Other letters of guarantee	12,103,744	9,096,625
<b>Total</b>	<b>26,797,593</b>	<b>21,458,807</b>

**2. Non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans given for cash loan risks	2,899,661	2,905,607
<i>With original maturity of 1 year or less</i>	<i>1,176,515</i>	<i>1,846,045</i>
<i>With original maturity of more than 1 year</i>	<i>1,723,146</i>	<i>1,059,562</i>
Other non-cash loans	30,220,240	25,769,440
<b>Total</b>	<b>33,119,901</b>	<b>28,675,047</b>

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

	<b>Current Period</b>				<b>Prior Period</b>			
	<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>	<b>TL</b>	<b>%</b>	<b>FC</b>	<b>%</b>
<b>Agricultural</b>	<b>87,249</b>	<b>0.39</b>	<b>132,021</b>	<b>1.20</b>	<b>86,506</b>	<b>0.51</b>	<b>266,929</b>	<b>2.27</b>
Farming and cattle	82,686	0.37	132,021	1.20	77,673	0.46	257,069	2.18
Forestry	3,528	0.02	-	-	7,898	0.05	7,540	0.06
Fishing	1,035	0.00	-	-	935	0.01	2,320	0.02
<b>Manufacturing</b>	<b>9,811,692</b>	<b>44.34</b>	<b>5,696,876</b>	<b>51.82</b>	<b>7,150,408</b>	<b>42.33</b>	<b>5,753,926</b>	<b>48.84</b>
Mining	1,252,878	5.66	106,628	0.97	168,108	1.00	29,069	0.25
Production	5,526,001	24.97	5,309,883	48.30	4,563,948	27.01	5,319,615	45.15
Electric, gas and water	3,032,813	13.71	280,365	2.55	2,418,352	14.32	405,242	3.44
<b>Construction</b>	<b>3,374,531</b>	<b>15.25</b>	<b>2,224,897</b>	<b>20.24</b>	<b>2,996,610</b>	<b>17.74</b>	<b>2,520,479</b>	<b>21.39</b>
<b>Services</b>	<b>8,030,112</b>	<b>36.30</b>	<b>2,523,158</b>	<b>22.95</b>	<b>6,226,616</b>	<b>36.86</b>	<b>2,761,969</b>	<b>23.44</b>
Wholesale and retail trade	3,444,760	15.57	1,584,849	14.41	2,580,882	15.29	1,597,908	13.56
Hotel, food and beverage services	110,961	0.50	1,778	0.02	125,417	0.74	5,691	0.05
Transportation and Telecommunication	1,172,317	5.30	736,976	6.70	963,436	5.70	1,058,971	8.99
Financial institutions	2,090,603	9.45	38,056	0.35	1,515,987	8.97	11,802	0.10
Real estate and renting services	325,256	1.47	33,758	0.31	254,056	1.50	24,277	0.21
Self-employment services	610,338	2.76	110,414	1.00	591,814	3.50	44,703	0.38
Education services	23,752	0.11	4,018	0.04	24,595	0.15	3,903	0.03
Health and social services	252,125	1.14	13,309	0.12	170,429	1.01	14,714	0.12
<b>Other</b>	<b>822,779</b>	<b>3.72</b>	<b>416,586</b>	<b>3.79</b>	<b>432,810</b>	<b>2.56</b>	<b>478,794</b>	<b>4.06</b>
<b>Total</b>	<b>22,126,363</b>	<b>100.00</b>	<b>10,993,538</b>	<b>100.00</b>	<b>16,892,950</b>	<b>100.00</b>	<b>11,782,097</b>	<b>100.00</b>

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 YEAR ENDED 31 DECEMBER 2015

(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	21,714,478	4,793,867	173,386	20,949
Confirmed bills of exchange and acceptances	86,762	1,388,757	-	-
Letters of credit	16,306	4,761,086	-	11,317
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	42,526	2,224	-	-
Other guarantees and sureties	-	10,522	-	-
<b>Total Non-Cash Loans</b>	<b>21,860,072</b>	<b>10,956,456</b>	<b>173,386</b>	<b>32,266</b>

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	16,653,687	4,555,638	113,427	8,262
Confirmed bills of exchange and Letters of credit	20,836	1,943,257	-	-
Endorsements	-	5,212,911	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	29,765	5,023	-	-
Other guarantees and sureties	-	2,603	-	-
<b>Total Non-Cash Loans</b>	<b>16,704,288</b>	<b>11,719,432</b>	<b>113,427</b>	<b>8,262</b>

5. Information on derivative transactions

	Current Period	Prior Period
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>28,241,368</b>	<b>22,773,909</b>
Currency Forwards	468,760	555,204
Currency Swaps	27,259,078	21,162,157
Currency Futures	-	-
Currency Options	513,530	1,056,548
<b>Interest Rate Derivative Transactions (II)</b>	<b>13,313,758</b>	<b>7,478,238</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	13,313,758	7,478,238
Interest Rate Options	-	-
Securities Call Put Options	-	-
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>8,954,555</b>	<b>6,780,167</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>50,509,681</b>	<b>37,032,314</b>
<b>Hedging Derivatives</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	-	-
<b>Derivative Transactions (A+B)</b>	<b>50,509,681</b>	<b>37,032,314</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

	31 December 2015					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	10,038,294	3,520,445	242,757	-	-	13,801,496
Sale	4,394,944	3,535,470	251,525	-	-	8,181,939
<b>Currency forwards:</b>						
Purchase	21,330	60,137	107,684	45,556	-	234,707
Sale	21,304	60,054	107,359	45,336	-	234,053
<b>Cross currency interest rate swaps:</b>						
Purchase	-	-	186,709	2,732,075	-	2,918,784
Sale	-	-	120,583	2,236,276	-	2,356,859
<b>Interest rate swaps:</b>						
Purchase	-	-	218,250	2,763,121	3,675,508	6,656,879
Sale	-	-	218,250	2,763,121	3,675,508	6,656,879
<b>Options:</b>						
Purchase	229,308	13,086	8,586	-	-	250,980
Sale	239,124	13,526	9,900	-	-	262,550
<b>Other trading derivatives:</b>						
Purchase	-	-	625,650	-	1,247,145	1,872,795
Sale	5,597,158	-	611,602	-	873,000	7,081,760
<b>Total purchases</b>	<b>10,288,932</b>	<b>3,593,668</b>	<b>1,389,636</b>	<b>5,540,752</b>	<b>4,922,653</b>	<b>25,735,641</b>
<b>Total sales</b>	<b>10,252,530</b>	<b>3,609,050</b>	<b>1,319,219</b>	<b>5,044,733</b>	<b>4,548,508</b>	<b>24,774,040</b>
<b>Total</b>	<b>20,541,462</b>	<b>7,202,718</b>	<b>2,708,855</b>	<b>10,585,485</b>	<b>9,471,161</b>	<b>50,509,681</b>

	31 December 2014					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	8,805,023	2,322,843	234,800	389,279	-	11,751,945
Sale	4,120,339	2,317,964	237,650	383,615	-	7,059,568
<b>Currency forwards:</b>						
Purchase	99,142	68,619	71,286	38,774	-	277,821
Sale	99,070	68,502	71,136	38,675	-	277,383
<b>Cross currency interest rate swaps:</b>						
Purchase	63,456	58,000	-	1,172,493	-	1,293,949
Sale	46,667	37,825	-	972,203	-	1,056,695
<b>Interest rate swaps:</b>						
Purchase	-	-	-	1,202,149	2,536,970	3,739,119
Sale	-	-	-	1,202,149	2,536,970	3,739,119
<b>Options:</b>						
Purchase	242,712	90,791	194,771	-	-	528,274
Sale	242,710	90,790	194,774	-	-	528,274
<b>Other trading derivatives:</b>						
Purchase	158,020	-	-	-	994,287	1,152,307
Sale	4,931,860	-	-	-	696,000	5,627,860
<b>Total purchases</b>	<b>9,368,353</b>	<b>2,540,253</b>	<b>500,857</b>	<b>2,802,695</b>	<b>3,531,257</b>	<b>18,743,415</b>
<b>Total sales</b>	<b>9,440,646</b>	<b>2,515,081</b>	<b>503,560</b>	<b>2,596,642</b>	<b>3,232,970</b>	<b>18,288,899</b>
<b>Total</b>	<b>18,808,999</b>	<b>5,055,334</b>	<b>1,004,417</b>	<b>5,399,337</b>	<b>6,764,227</b>	<b>37,032,314</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

**6. Contingent assets and liabilities**

Group allocates TL 9,316 as provision for lawsuits against the Group (31 December 2014: TL 16,142).

**7. 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 does not present a material portion.

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

*Information on interest income received from loans*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	3,425,419	164,210	2,771,751	160,053
Medium and long-term loans	6,368,458	1,501,065	5,275,500	1,008,781
Non-performing loans	139,185	-	177,155	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>9,933,062</b>	<b>1,665,275</b>	<b>8,224,406</b>	<b>1,168,834</b>

*Information on interest income received from banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	-	-	-
Domestic Banks	68,564	881	60,054	2,029
Foreign Banks	322	8,957	207	5,017
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>68,886</b>	<b>9,838</b>	<b>60,261</b>	<b>7,046</b>

*Information on interest income received from marketable securities portfolio*

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	5,782	993	9,634	1,619
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,158,698	250,891	1,275,394	214,270
Investments held to maturity	655,344	500	559,880	444
<b>Total</b>	<b>1,819,824</b>	<b>252,384</b>	<b>1,844,908</b>	<b>216,333</b>

*Information on interest income received from associates and subsidiaries*

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	2	-

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 YEAR ENDED 31 DECEMBER 2015

(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)

1. Interest Expense

*Interest expense on funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>94,417</b>	<b>239,603</b>	<b>71,661</b>	<b>152,358</b>
Central Bank of Republic of Turkey	-	-	-	-
Domestic Banks	54,053	11,687	41,045	6,331
Foreign Banks	40,364	227,916	30,616	146,027
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	-	28,480	-	18,990
<b>Total</b>	<b>94,417</b>	<b>268,083</b>	<b>71,661</b>	<b>171,348</b>

*Interest expense paid to associates and subsidiaries*

	Current Period	Prior Period
Interests paid to the associates and subsidiaries	16,091	14,782

*Interest expense on securities issued*

As at and for the year ending at 31 December 2015, interest paid to securities issued is TL 595,176 (31 December 2014: TL 445,715).

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	273,381	321,795	214,445	231,270

*Maturity structure of the interest expense on deposits*

Current Period	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	76,403	51,103	46,028	-	-	-	173,534
Saving deposits	-	41,192	2,043,895	111,066	26,299	10,482	-	2,232,934
Public sector deposits	13,522	261,548	637,109	60,262	251,165	15,948	-	1,239,554
Commercial deposits	118	408,690	1,096,168	(8,444)	12,451	423	-	1,509,406
Other deposits	1	80,376	305,671	27,244	7,628	1,488	-	422,408
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13,641</b>	<b>868,209</b>	<b>4,133,946</b>	<b>236,156</b>	<b>297,543</b>	<b>28,341</b>	-	<b>5,577,836</b>
<i>FC</i>								
Foreign Currency deposits	23,493	37,718	300,902	33,598	21,808	105,486	-	523,005
Interbank deposits	96	93	1,884	308	12,111	366	-	14,858
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>23,589</b>	<b>37,811</b>	<b>302,786</b>	<b>33,906</b>	<b>33,919</b>	<b>105,852</b>	-	<b>537,863</b>
<b>Grand Total</b>	<b>37,230</b>	<b>906,020</b>	<b>4,436,732</b>	<b>270,062</b>	<b>331,462</b>	<b>134,193</b>	-	<b>6,115,699</b>

**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 YEAR ENDED 31 DECEMBER 2015**

(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	-	144,829	-	-	-	-	-	144,829
Saving deposits	1,486	23,258	1,597,668	133,101	26,634	12,984	-	1,795,131
Public sector deposits	5,891	174,376	427,267	64,521	137,018	15,261	-	824,334
Commercial deposits	368	267,851	998,645	87,997	15,599	3,915	-	1,374,375
Other deposits	1	45,643	278,655	43,453	33,667	1,661	-	403,080
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7,746</b>	<b>655,957</b>	<b>3,302,235</b>	<b>329,072</b>	<b>212,918</b>	<b>33,821</b>	-	<b>4,541,749</b>
<i>FC</i>								
Foreign Currency deposits	29,724	21,210	246,798	41,698	39,556	106,466	-	485,452
Interbank deposits	-	16,735	-	-	-	-	-	16,735
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>29,724</b>	<b>37,945</b>	<b>246,798</b>	<b>41,698</b>	<b>39,556</b>	<b>106,466</b>	-	<b>502,187</b>
<b>Grand Total</b>	<b>37,470</b>	<b>693,902</b>	<b>3,549,033</b>	<b>370,770</b>	<b>252,474</b>	<b>140,287</b>	-	<b>5,043,936</b>

**3. Dividend Income**

	Current Period	Prior Period
Trading Purpose Financial Assets	27	19
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	89	2,247
Others	37,053	9,963
<b>Total</b>	<b>37,169</b>	<b>12,229</b>

**4. Information on trading income/losses**

	Current Period	Prior Period
<b>Income</b>	<b>6,526,873</b>	<b>6,426,056</b>
Income from capital market operations	2,489,490	2,430,715
Income from derivative financial instruments	1,588,784	1,408,759
Foreign exchange gains	2,448,599	2,586,582
<b>Losses</b>	<b>(6,386,942)</b>	<b>(6,177,261)</b>
Loss from capital market operations	(2,442,729)	(2,254,642)
Loss from derivative financial instruments	(1,617,913)	(1,447,948)
Foreign exchange loss	(2,326,300)	(2,474,671)
<b>Net trading profit/loss</b>	<b>139,931</b>	<b>248,795</b>

Net loss arising from changes in foreign exchange rate that relate to the Group’s derivative financial instruments based on foreign exchange rate is TL 31,762 as at and for the year ended 31 December 2015 (31 December 2014: net loss of TL 8,179).



**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

**5. Other operating income**

	<b>Current Period</b>	<b>Prior Period</b>
Income from reversal of the impairment losses from prior periods	763,294	707,442
Earned insurance premiums (net of reinsurance share)	767,881	663,935
Communication income	50,723	85,302
Gain on sale of assets	109,681	385,471
Income from private pension business	64,583	48,626
Rent income	80,490	529
Other income	199,996	228,486
<b>Total</b>	<b>2,036,648</b>	<b>2,119,791</b>

**6. Provision expenses for losses on loans and other receivables**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions on loans and other receivables	1,085,809	1,194,633
<i>Loans and receivables in Group III</i>	339,638	181,529
<i>Loans and receivables in Group IV</i>	449,252	774,152
<i>Loans and receivables in Group V</i>	296,919	238,952
Non-performing commissions and other receivables	-	-
General provision expenses	354,951	413,501
Provision for possible losses	-	-
Impairment losses on securities	3,459	15,573
<i>Trading securities</i>	16	5,171
<i>Investment securities available-for-sale</i>	3,443	10,402
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	24,337	25,278
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	24,337	25,278
Other (*)	167,304	98,680
<b>Total</b>	<b>1,635,860</b>	<b>1,747,665</b>

(\*) Other provision expenses amounting to TL 167,304 (31 December 2014: TL 98,680) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 41,616 (31 December 2014: TL 38,176), other provision expenses related to loans amounting to TL 82,415 (31 December 2014: TL 39,045) and other provision expenses amounting to TL 43,273 (31 December 2014: TL 21,459).

**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 YEAR ENDED 31 DECEMBER 2015**

(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)**

**7. Other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel costs	1,539,206	1,386,610
Reserve for employee termination benefits	27,419	11,070
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	6,475	-
Depreciation expenses on tangible assets	133,210	114,988
Impairment losses on intangible assets	-	-
Amortization expenses on intangible assets	20,994	15,974
Impairment losses on assets to be disposed	5,747	2,115
Depreciation expenses on assets to be disposed	15,291	12,743
Impairment losses on assets held for sale	-	-
Other operating expenses	2,046,058	1,567,282
<i>Operational lease related expenses</i>	214,645	190,247
<i>Repair and maintenance expenses</i>	41,636	33,778
<i>Advertisement expenses</i>	82,270	76,278
<i>Other expenses</i>	1,707,507	1,266,979
Loss on sale of assets	1,231	4,951
Other <sup>(*)</sup>	1,021,447	787,872
<b>Total</b>	<b>4,817,078</b>	<b>3,903,605</b>

(\*) Other operating expenses amounting to TL 1,021,447 (31 December 2014: TL 787,872) is comprised of provision expenses for dividends to the personnel amounting to TL 144,017 (31 December 2014: TL 129,797), tax, fees and funds expenses amounting to TL 125,706 (31 December 2014: TL 113,797), Saving Deposits Insurance Fund expenses amounting to TL 115,916 (31 December 2014: TL 93,190) and other operating expenses amounting to TL 635,808 (31 December 2014: TL 451,088).

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

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

**9. Information on tax provision from discontinued and continuing operations**

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

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

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

**11. Provision for taxes on income**

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

In the current year, the Group recorded a tax provision of TL 417,396 (31 December 2014: TL 612,250) from the operating profit in accordance with the Corporate Tax Law and other laws and 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 FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2015**

(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)**

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

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period</b>	<b>Prior Period</b>
Arising from Origination/ (Reversal) of Deductible Temporary Differences	(33,782)	63,170
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(75,933)	71,065
Arising from Origination/ (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>(109,715)</b>	<b>134,235</b>

**12. Net profit and loss**

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

Group has earned TL 13,973,432 interest income and TL 8,238,164 interest expense, also incurred TL 870,329 amount of net fee and commission income from its ordinary banking operations (31 December 2014: TL 11,664,524 interest income, TL 6,809,744 interest expense, TL 674,456 net fee and commission income).

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

None.

**13. Income/loss related to non-controlling interest**

	<b>Current Period</b>	<b>Prior Period</b>
Income/(losses) related to non-controlling interest	(74,675)	8,166

**14. 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 YEAR ENDED 31 DECEMBER 2015**

(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 STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

**1. Information on increases that occur after revaluation of available-for-sale investments**

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

<b>Valuation Differences of Marketable Securities</b>	<b>Current Period</b>	<b>Prior Period</b>
Valuation differences at the beginning of the year	459,241	(202,685)
Fair value changes in the current year	(630,217)	613,607
Effect of deferred and corporate taxes	125,540	(119,805)
Valuation differences transferred to the statement of income	45,131	210,155
Effect of deferred and corporate taxes	(9,026)	(42,031)
<b>Valuation differences at the end of the year</b>	<b>(9,331)</b>	<b>459,241</b>

<b>Valuation Difference of the Subsidiaries and Affiliates</b>	<b>Current Period</b>	<b>Prior Period</b>
Valuation differences at the beginning of the year	62,289	52,966
Fair value changes in the current year	(24,585)	10,203
Effect of deferred and corporate taxes	1,638	(880)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	-	-
<b>Valuation differences at the end of the year</b>	<b>39,342</b>	<b>62,289</b>

**2. Information on increases in cash flow hedges**

None.

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

As of 31 December 2015, foreign currency translation differences of 42,762 TL (31 December 2014: (15,664) TL), which occurred from converting abroad subsidiaries’ financial statements to TL for consolidation purpose, is accounted under other reserves in the enclosed consolidated financial statements.

**4. Information on correction differences of shareholders’ equity accounts due to inflation**

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

**5. Information on profit distribution**

As per the resolution of 61st Annual General Assembly held on 30 March 2015, the net profit of the year 2014 which amounts to TL 1,612,157 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 161,215, extraordinary reserves amounting to TL 1,114,820, special funds amounting to TL 236,122 and dividends to equity holders of the Parent Bank amounting to TL 100,000.

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

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 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 YEAR ENDED 31 DECEMBER 2015**

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

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

**VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS**

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

“Other” item under the “operating profit before changes in operating assets and liabilities” amounting to TL (2,899,768) (31 December 2014: TL (1,915,812)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

“Net increase/decrease in other liabilities” amounting to TL (2,436,988) (31 December 2014: TL 2,063,317) under “changes in operating assets and liabilities” is mainly comprised of fund based cash outflows from repurchase agreements.

“Other” balance under “net cash flow from investing activities” amounting to TL (51,353) (31 December 2014: TL (44,008)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets’ high turnover rate are taken into consideration. Each exchange rate’s arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period’s exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation’s per term exchange rate and current period’s exchange rate. As of 31.12.2015 impact of the exchange rate change on cash and cash equivalents is TL (30,472) (31.12.2014: TL 4,539).

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

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

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

There is no disposal in associates, subsidiaries and joint-ventures in the current year.

**4. Information on cash and cash equivalents**

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

	Prior Period 31 December 2014	Prior Period 31 December 2013
<b>Cash on hand</b>	<b>1,376,838</b>	<b>1,156,445</b>
Cash in TL	1,014,282	867,546
Cash in foreign currency	362,556	288,899
<b>Cash equivalents</b>	<b>7,814,067</b>	<b>4,931,458</b>
CBRT	20,440,692	17,793,235
Banks	3,568,508	3,158,351
Receivables from money markets	9,502	5,095
Other	73,551	25,502
Loans and advances to banks having maturity of more than 3 months	(6,045)	(13,260)
Restricted cash and cash equivalents	(16,266,786)	(16,036,144)
Unrealized foreign exchange rate differences on cash equivalents	(5,355)	(1,321)
<b>Total</b>	<b>9,190,905</b>	<b>6,087,903</b>

**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 YEAR ENDED 31 DECEMBER 2015**

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Cash on hand</b>	<b>1,439,972</b>	<b>1,376,838</b>
Cash in TL	1,162,866	1,014,282
Cash in foreign currency	277,106	362,556
<b>Cash equivalents</b>	<b>7,617,155</b>	<b>7,814,067</b>
CBT - Unrestricted demand deposit	19,834,346	20,440,692
Banks	6,176,019	3,568,508
Receivables from money markets	6,699	9,502
Other	215,596	73,551
Loans and advances to banks having maturity of more than 3 months	(90,084)	(6,045)
Restricted cash and cash equivalents	(18,518,574)	(16,266,786)
Unrealized foreign exchange rate differences on cash equivalents	(6,847)	(5,355)
<b>Total</b>	<b>9,057,127</b>	<b>9,190,905</b>

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

Reserve requirements at CBRT amounting to TL 18,441,256 as at 31 December 2015 (31 December 2014: TL 16,156,615) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 77,318 (31 December 2014: TL 110,171) is blocked due to securitization loans and other ordinary operations of the Group.

**VII. 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	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	2	388	-	29	94	17
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	13	659,911	-	27,065	26,102	24,339
Balance at the end of the year	16	657,200	-	10,174	6,239	13,086
Interest and commission income	-	401	-	21	774	68

**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 YEAR ENDED 31 DECEMBER 2015**

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

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

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

*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	187,127	419,918	713,966	968,601	115,831	46,793
Balance at the end of the year	475,233	187,127	740,156	713,966	104,508	115,831
Interest on deposits	16,091	14,782	45,805	60,168	1,005	2,340

**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 0.001 % (31 December 2014: 0.01%) and 2.584% (31 December 2014: 2.373%) respectively.

Current 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

Prior Period	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	6,255		0.006
Non-Cash Loans	680,460		2.373
Deposits	1,016,924		1.089

**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 YEAR ENDED 31 DECEMBER 2015**

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

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

**VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES OF THE PARENT BANK**

*Domestic and foreign branches and representative offices*

	<b>Number of Branches</b>	<b>Number of Employees</b>	<b>Country</b>	<b>Total Assets</b>	<b>Capital</b>
<b>Domestic Branches<sup>(*)</sup></b>	917	15,367			
<b>Foreign Representative Offices</b>	-	-	-		
<b>Foreign Branches</b>	1	23	USA	5,649,716	48,015
	1	16	Iraq	152,461	20,370
<b>Off-shore Branches</b>	1	4	Bahrain	12,599,251	-

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

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

During 2015, 27 new domestic branches (2014: 34 domestic branches) have been opened and no branches have been closed (2014: 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 YEAR ENDED 31 DECEMBER 2015

(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 61<sup>st</sup> Annual General Assembly held on 30 March 2015, the net profit of year 2014 is decided to be distributed as follows:

<b>Profit Distribution Table of Year 2014</b>	
<b>Current year’s profit of the Parent Bank’s unconsolidated financial statements</b>	<b>1,753,273</b>
Deferred tax income	(141,116)
<b>Net profit of the year subject to distribution</b>	<b>1,612,157</b>
Legal reserves	161,214
<i>First legal reserves</i>	80,607
<i>Reserves allocated, according to banking law and articles of association</i>	80,607
<b>Net profit of the year subject to distribution</b>	<b>1,450,943</b>
Gain on sale of immovable and shares of associates and subsidiaries	236,122
Extraordinary reserves	1,114,821
<b>Dividends to the shareholders</b>	<b>100,000</b>

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

<b>February 2016 (*)</b>	<b>Fitch Ratings</b>
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
Base Support Rating	BBB-

<b>October 2015 (*)</b>	<b>Moody’s Investors’ Service</b>
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

<b>July 2015(*)</b>	<b>Standard&amp;Poors</b>
Foreign Currency Credit Rating	BB+ / B
Foreign Currency Outlook	Negative
Local Currency Credit Rating	BB+ / B
Local Currency Outlook	Negative
National	trAA+ / trA-1
Continuance Rating	N.R.

<b>December 2014 (*)</b>	<b>Capital Intelligence</b>
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB+
Support Rating	2
Foreign Currency Outlook	Stable

(\*) 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 YEAR ENDED 31 DECEMBER 2015**

(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 have been issued on 29.01.2016 amounting TL 400 million(Full TL) with 91 days maturity and maturity date of which is 29 April 2016, amounting TL 200 million(Full TL) with 175 days maturity and maturity date of which is 22 July 2016 and amounting TL 100 million(Full TL) with 210 days maturity date of which is 26 August 2016 and total amount of TL 700 million(Full TL) issued and offered to public through book-building on 25-26-27 January 2016.

As a result, Vakıfbank bond with the ISIN Code TRQVKFB41645 which has 11.0432% annual compound interest 10.6129% simple interest and issue price was TL 97,422 with amounting TL , 484,757,595(Full TL) with 91 days maturity and maturity date of which is 29 April 2016. Vakıfbank bond with the ISIN Code TRQVKFB71626 which has 11.1828% compound interest, 10.8746% simple interest and issue price was TL 95,045 with amounting TL 85,506,425(Full TL) with 175 days maturity and maturity date of which is 22 July 2016. Vakıfbank bond with the ISIN Code TRQVKFB81617 which has 11.5485% compound interest, 11.2798% simple interest and issue price was TL 93,906 with amounting TL 122,715,820 (Full TL) with 210 days maturity and maturity date of which is 26 August 2016.

**IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE SUBSEQUENT TO REPORTING DATE**

None.

**SECTION SEVEN**

**I. AUDITORS’ REVIEW REPORT**

**1. Information on auditors’ review report**

The consolidated financial statements and footnotes of the Bank and its consolidated financial subsidiaries as at and for the year ended 31 December 2015, have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). It was noted in their audited report dated 25 February 2016 that nothing material has come to their attention that caused them to believe that the accompanying consolidated financial statements do not give a true and fair view of the Group’s financial position and results of its operations.

**2. Explanations and footnotes prepared by independent auditor**

None.

.....