

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS AT 30 JUNE 2016
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**



REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

1. We have reviewed the accompanying condensed consolidated interim statement of financial position of Türkiye Vakıflar Bankası T.A.O. and its subsidiaries (the "Group") as of 30 June 2016 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.


Scope of Review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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



Zeynep Uras, SMMM
Partner

Istanbul, 28 October 2016

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

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

**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

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

	Notes	30 June 2016	31 December 2015
ASSETS			
Cash and balances with Central Banks	6	31,242,814	27,613,362
Financial assets at fair value through profit or loss		1,077,666	995,929
Loans and advances to banks		133,272	242,592
Loans and advances to customers		131,995,910	125,855,872
Investment securities		25,710,276	25,129,730
Investments in associates		283,734	263,182
Property and equipment		1,794,494	1,777,370
Intangible assets		347,791	329,864
Current tax assets		184	3,731
Deferred tax assets		570,455	473,799
Other financial assets		786,909	644,859
Other assets		4,612,402	4,783,469
Total assets		198,555,907	188,113,759
LIABILITIES AND EQUITY			
Trading liabilities		743,796	304,352
Deposits from banks		7,979,923	6,811,975
Deposits from customers		109,287,324	106,335,452
Obligations under repurchase agreements		14,460,584	11,593,698
Funds borrowed		20,112,677	20,195,047
Debt securities issued	7	11,914,623	10,646,708
Subordinated liabilities		4,109,154	4,155,551
Other liabilities and provisions		10,589,343	10,075,731
Current tax liabilities		334,653	233,004
Deferred tax liabilities		16,884	19,574
Total liabilities		179,548,961	170,371,092
Equity attributable to owners of the parent			
Share capital		3,300,146	3,300,146
Share premium		724,352	724,352
Revaluation surplus		652,336	652,348
Reserves		1,946,490	1,415,913
Retained earnings		11,767,151	11,013,438
Total equity attributable to owners of the parent		18,390,475	17,106,197
Non-controlling interests		616,471	636,470
Total equity		19,006,946	17,742,667
Total liabilities and equity		198,555,907	188,113,759
Commitments and contingencies		72,569,597	67,967,945

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

Notes	1 January -30 June 2016	1 January -30 June 2015
Interest income		
Interest on loans and receivables	6,758,165	5,463,487
Interest on securities	1,090,243	1,047,322
- <i>Trading financial assets</i>	12,539	3,601
- <i>Available-for-sale financial assets</i>	748,551	718,115
- <i>Held-to-maturity investments</i>	329,153	325,606
Interest on deposits at banks	58,651	40,601
Interest on money market placements	316	586
Other interest income	112,812	51,715
Total interest income	8,020,187	6,603,711
Interest expense		
Interest on deposits	(3,607,932)	(2,815,898)
Interest on money market deposits	(489,117)	(421,500)
Interest on funds borrowed	(217,789)	(176,705)
Interest expense on securities issued	(318,983)	(276,361)
Other interest expense	(164,079)	(135,280)
Total interest expense	(4,797,900)	(3,825,744)
Net interest income	3,222,287	2,777,967
Fee and commission income	672,560	656,174
Fee and commission expense	(265,535)	(231,560)
Net fee and commission income	407,025	424,614
Other operating income		
Net trading income	18,735	54,575
Net foreign exchange gains	46,653	65,086
Other income	10 726,428	562,301
Total other operating income	791,816	681,962
Other administrative and operating expenses		
Salaries and employee benefit expenses	11 (939,346)	(853,566)
Provision for loan impairment, net of recoveries	(671,006)	(752,903)
Depreciation and amortisation	(81,657)	(78,478)
Taxes other than on income	(73,514)	(60,926)
Other expenses	12 (1,383,812)	(1,483,116)
Total other administrative and operating expenses	(3,149,335)	(3,228,989)
Share of profit of associates accounted for using the equity method	21,291	16,772
Profit before income tax	1,293,084	672,326
Income tax expense	(258,630)	(155,169)
Profit for the period	1,034,454	517,157

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

	Notes	1 January - 30 June 2016	1 January - 30 June 2015
Other comprehensive income:			
<i>Items that will never be classified to profit or loss:</i>			
Re-measurement of post - employment benefit obligation		(589)	(5,263)
Revaluation of property, plant and equipment		852	-
Related tax		13	1,053
		276	(4,210)
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		3,829	21,315
Net change in fair value of available for sale financial assets		378,129	(551,765)
Fair value differences of available for sale financial assets transferred to profit or loss		31,216	50,885
Other items		-	-
Income tax related to items that will be reclassified subsequently to profit or loss		(77,908)	98,516
Other comprehensive income for the period, net of income tax		335,542	(385,259)
Total comprehensive income for the period		1,369,996	131,898
Profit/(loss) attributable to:			
- Owners of the parent	8	1,053,732	613,719
- Non-controlling interests		(19,278)	(96,562)
Profit for the period		1,034,454	517,157
Total comprehensive income/(loss) attributable to:			
- Owners of the parent		1,387,282	228,405
- Non-controlling interests		(17,286)	(96,507)
Total comprehensive income for the period		1,369,996	131,898
Basic and diluted Earnings per share on profit for the period (full TL)	8	0.0042	0.0025

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

	Attributable to Owners of the Parent							Total	Non-controlling interest	Total equity
	Share Capital	Share premium	Fair value reserves	Revaluation Surplus	Reserves		Retained earnings			
					Currency translation reserve	Legal reserves				
Balances at 1 January 2016	3,300,146	724,352	15,483	652,348	156,616	1,243,814	11,013,438	17,106,197	636,470	17,742,667
Profit for the period	-	-	-	-	-	-	1,053,726	1,053,726	(19,272)	1,034,454
Other comprehensive income										
Re-measurements of defined benefit plans	-	-	-	-	-	-	(225)	(225)	(245)	(470)
Change in revaluation surplus	-	-	-	(12)	-	-	433	421	325	746
Foreign currency translation differences	-	-	-	-	3,425	-	-	3,425	404	3,829
Net change in fair value of available for sale financial assets, net of tax	-	-	298,710	-	-	-	-	298,710	1,511	300,221
Fair value differences of available for sale financial assets transferred to profit or loss	-	-	31,216	-	-	-	-	31,216	-	31,216
Other items	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	329,926	(12)	3,425	-	208	333,547	1,995	335,542
Total comprehensive income for the period	-	-	329,926	(12)	3,425	-	1,053,934	1,387,273	(17,277)	1,369,996
Transfer to reserves	-	-	-	-	-	197,226	(197,226)	-	-	-
Dividends paid	-	-	-	-	-	-	(107,221)	(107,221)	(327)	(107,548)
Other items	-	-	-	-	-	-	4,226	4,226	(2,395)	1,831
Total contributions by and distributions to owners of the parent, recognized directly in equity	-	-	-	-	-	197,226	(300,221)	(102,995)	(2,722)	(105,717)
Balances at 30 June 2016	3,300,146	724,352	345,409	652,336	160,041	1,441,040	11,767,151	18,390,475	616,471	19,006,946

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

	Attributable to owners of the parent							Total	Non-controlling interest	Total equity
	Reserves									
	Share Capital	Share premium	Fair value reserves	Revaluation Surplus	Currency translation reserve	Legal reserves	Retained earnings			
Balances at 1 January 2015	3,300,146	724,316	506,220	-	118,470	1,076,894	9,721,220	15,447,266	619,460	16,066,726
Profit for the period	-	-	-	-	-	-	613,719	613,719	(96,562)	517,157
Other comprehensive income										
Re-measurements of defined benefit plans	-	-	-	-	-	-	(2,046)	(2,046)	(2,164)	(4,210)
Foreign currency translation differences	-	-	-	-	19,096	-	-	19,096	2,219	21,315
Net change in fair value of available for sale financial assets, net of tax	-	-	(453,249)	-	-	-	-	(453,249)	-	(453,249)
Fair value differences of available for sale financial assets transferred to profit or loss, net of tax	-	-	50,885	-	-	-	-	50,885	-	50,885
Total other comprehensive income	-	-	(402,364)	-	19,096	-	(2,046)	(385,314)	55	(385,259)
Total comprehensive income for the period	-	-	(402,364)	-	19,096	-	611,673	228,405	(96,507)	131,898
Transfer to reserves	-	-	-	-	-	166,991	(166,991)	-	-	-
Dividends paid	-	-	-	-	-	-	(100,000)	(100,000)	(1,513)	(101,513)
Other items	-	-	-	-	-	-	5,765	5,765	830	6,595
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	-	-	166,991	(261,226)	(94,235)	(683)	(94,918)
Balances at 30 June 2015	3,300,146	724,316	103,856	-	137,566	1,243,885	10,071,667	15,581,436	522,270	16,103,706

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

Notes	1 January - 30 June 2016	1 January - 30 June 2015
Cash flows from operating activities:		
Profit for the period	1,034,454	517,157
<i>Adjustments for:</i>		
Income tax expense	258,630	155,169
Provision for loan impairment, net of recoveries	671,006	752,903
Depreciation and amortization	81,657	78,478
Provision for short term employee benefits	78,791	213,079
Provision for retirement pay liability and unused vacations	39,836	34,378
Change in unearned premium reserve	261,992	93,089
Change in provision for outstanding claims	38,423	209,855
Long term insurance contracts	-	-
Other provision expenses	27,422	64,997
Net interest income	(3,222,287)	(2,777,967)
Share of profit of associates accounted for using the equity method	(21,291)	(16,772)
Other non-cash adjustments	(343,349)	(77,083)
	(1,094,716)	(752,717)
<i>Changes in:</i>		
Loans and advances to banks	109,320	161,379
Reserve deposits	(1,924,113)	(1,698,923)
Financial assets at fair value through profit or loss	16,310	(258,073)
Loans and advances to customers	(7,703,188)	(14,921,273)
Other assets	2,321,128	1,983,807
Deposits from banks	1,163,493	(370,852)
Deposits from customers	2,875,363	8,804,368
Obligation under repurchase agreements	2,879,106	1,736,608
Other liabilities and provisions	814,017	890,888
	551,436	(3,672,071)
Interest received	7,463,495	6,114,217
Interest paid	(4,706,102)	(2,031,863)
Taxes paid	(340,950)	(415,005)
Cash used in operating activities (-)	1,873,163	(757,439)
Cash flows from investing activities:		
Dividends received	13,623	4,988
Acquisition of property and equipment	(54,474)	(141,123)
Proceeds from the sale of property and equipment	24,877	40,497
Acquisition of intangible assets	(31,371)	(20,305)
Proceeds from the sale of intangible assets	443	-
Acquisition of investment securities	(3,393,843)	(3,670,592)
Proceeds from sale of investment securities	3,406,626	3,039,795
Cash provided by/(used in) investing activities	(34,119)	(746,740)
Cash flows from financing activities:		
Proceeds from issue of debt securities	6,862,796	4,875,381
Repayments of debt securities	7	(3,562,927)
Repayments of funds borrowed	(4,113,207)	5,312,198
Proceeds from funds borrowed	2,428,716	(3,635,788)
Dividends paid	(100,327)	(101,513)
Cash provided by financing activities	1,081,676	2,887,351
Effect of foreign exchange rate fluctuations on cash and cash equivalents	15,300	(32,115)
Net increase in cash and cash equivalents (-)	2,936,020	1,351,057
Cash and cash equivalents at the beginning of the period	27,396,707	25,114,309
Cash and cash equivalents at the end of the period	30,332,727	26,465,366

The notes on pages 7 to 24 are an integral part of these condensed consolidated interim financial statements.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

1. GENERAL INFORMATION

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (the “Bank” or the “Parent”) 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 obtaining securities and real estate as collateral,
- Establishing or participating in all kinds of insurance corporations,
- Trading real estate,
- Providing all banking operations and services,
- Investing in various corporations handed over by the foundations and the General Directorate of the Foundations in accordance with conditions stipulated by agreements if signed.
- 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 the General Directorate of the Foundations.

The Bank provides corporate, commercial and retail banking services through a network of 919 domestic branches and 3 foreign branches in New York, Bahrain and Iraq (31 December 2015: 917 domestic, 3 foreign, in total 920 branches). As at 30 June 2016, the Bank has 15,363 employees (31 December 2015: 15,410). Additionally, the Bank has a subsidiary in banking sector in Austria, titled as Vakıfbank International AG. The Bank’s head office is located at Sultan Selim Mahallesi, Eski Büyükdere Caddesi No:59, Kağıthane-İstanbul.

The shareholder holding control over the Bank is the General Directorate of the Registered Foundations represented by the Turkish Republic General Directorate of the Foundations which is set up under Prime Ministry of Turkish Republic 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. The shares of the Bank are quoted to Borsa İstanbul A.Ş. (BIST) and traded publicly.

As at 30 June 2016, the Bank’s nominal paid-in capital amounted to TL 2,500,000 divided into 250,000,000,000 shares with a nominal value of 1 Kurus each (TL 1 equals Kurus 100). As at 30 June 2016, the Bank’s shareholders’ structure is as follows:

Shareholders	Number of the shares (100 units)	Nominal amount	Share (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	3,080,407	3,081	0.12
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,532,753	1,533	0.06
Publicly traded (Group D)	630,102,206	630,102	25.21
Paid-in capital	2,500,000,000	2,500,000	100.00
Adjustment to share capital		800,146	
Total		3,300,146	

The adjustment to share capital represents the cumulative restatement adjustment amount to nominal share capital on adopting IAS 29, "Financial reporting in hyper-inflationary economies" until 1 January 2006.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

1. GENERAL INFORMATION (Continued)

These condensed consolidated interim financial statements were approved for issue on 28 October 2016. These condensed consolidated interim financial statements have been reviewed, not audited.

The table below sets out the subsidiaries and associates and shows their shareholding structure as at 30 June 2016:

	Proportion directly held by the Bank (%)	Proportion held by the Group (%)
Subsidiaries:		
Güneş Sigorta A.Ş. (*)	36.35	36.35
Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. (*)	22.89	32.91
Vakıf Emeklilik A.Ş.	53.90	75.30
Vakıf Enerji ve Madencilik A.Ş.	65.50	84.96
Taksim Otelcilik A.Ş.	51.00	51.52
Vakıf Faktoring A.Ş.	78.39	86.99
Vakıf Finansal Kiralama A.Ş.	58.71	64.40
Vakıf Yatırım Menkul Değerler A.Ş.	99.00	99.44
Vakıf Portföy Yönetimi A.Ş.	100.00	100.00
Vakıfbank International AG	90.00	90.00
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	38.70	40.64
World Vakıf UBB Ltd. in Liquidation (**)	82.00	85.25
Associates:		
Kıbrıs Vakıflar Bankası Ltd.	15.00	15.00
T. Sınai Kalkınma Bankası A.Ş.	8.38	8.38

(*) For those consolidated subsidiaries where the Bank does not own, directly or indirectly through subsidiaries, more than 50% of the subsidiary's voting power, proportion of ordinary shares held by the Group entitles the Bank to the rights - acquired through arrangements between shareholders or articles of association of the related subsidiary - to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

(**) World Vakıf UBB Ltd, was established in the Turkish Republic of Northern Cyprus in 1993 for offshore banking operations. Its head office is in Nicosia. The name of the Bank, which was World Vakıf Offshore Banking Ltd, has been changed to 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 authorization of World Vakıf UBB Ltd is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to 24 May 2010 dated decision of the Nicosia Local Court. The liquidation process of World Vakıf UBB Ltd, has been carried out by NCTR Collecting and Liquidation Office. The application of the subsidiary for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed. Thus, the name of the subsidiary has been changed as “World Vakıf UBB Ltd. in Liquidation”. Therefore, the financial statements of the subsidiary have not been consolidated as at 30 June 2016 and 31 December 2015.

For the purposes of the condensed consolidated interim financial statements, the Bank and its consolidated subsidiaries described below are referred to as the “Group”.

Güneş Sigorta A.Ş. was established under the leadership of the Bank and Soil Products Office in 1957. The subsidiary provides nearly all non-life insurance products, including fire, accident, transaction, engineering, agriculture, health, forensic protection and loan insurance. Its head office is in Istanbul.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

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

1. GENERAL INFORMATION (Continued)

Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. was established in 1991 in Istanbul. The main activity of the subsidiary is to invest a portfolio (including marketable debt securities and equity securities) without having managerial power in the partnerships whose securities have been acquired; and also gold and other precious metals trading 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.

Vakıf Emeklilik A.Ş. was established under the name Güneş Hayat Sigorta A.Ş. in 1991. In 2003 the subsidiary has taken conversion permission from the related regulatory body and started to operate both in pension business. Its head office is in Istanbul.

Vakıf Enerji ve Madencilik A.Ş. was established in 2001 to produce electrical and thermal energy, and to sell this energy in accordance with the related laws and regulations. Its head office is in Ankara.

Taksim Otelcilik A.Ş. was established under the Turkish Commercial Code in 1966. The main activity of the subsidiary is to operate in the hotel business or rent out the management of owned hotels. Its head office is in Istanbul.

Vakıf Faktoring A.Ş. was established in 1998 to perform factoring transactions. Its head office is in Istanbul.

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.

Vakıf Yatırım Menkul Değerler A.Ş. was established in 1996 to provide service to investors through making capital markets transactions, the issuance of capital market tools, purchase and sales 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.

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, Austria.

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

The Bank has also the following associates:

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

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

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six-month period ended 30 June 2016 have been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards.

Taxes on income in the interim periods are accrued using the weighted average effective tax rate that would be applicable to expected total annual profit or loss.

In preparation of the condensed consolidated interim financial statements of the Group, the same accounting policies and methods of computation have been followed as compared to the most recent annual consolidated financial statements except for the adoption of new standards and interpretations as of 1 January 2016, where applicable, noted below:

New and Revised International Financial Reporting Standards

a. Standards, amendments and interpretations applicable as at 30 June 2016

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment, it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

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2. BASIS OF PREPARATION (Continued)

- Amendments to IAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to IFRS 10 ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impact 4 standards:
 - IFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
 - IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.
 - IAS 19, ‘Employee benefits’ regarding discount rates.
 - IAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendment to IAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

b. Standards, amendments and interpretations effective after 30 June 2016

- Amendments to IAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- Amendments to IFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

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2. BASIS OF PREPARATION (Continued)

- IFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to IFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The new standards, amendments and interpretations which will be effective after 1 July 2016 are not expected to have a material impact on the group except for the application of IFRS 9. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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3. USE OF ESTIMATES AND JUDGEMENTS AND SEASONALITY OF OPERATIONS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

There is no significant seasonality effect on the operations of the Group.

4. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, judgement is necessary to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities recorded at amortized cost are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair values, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of loans and advances to banks and customers are TL 132,297,638 (31 December 2015: TL 125,806,878) whereas the carrying amount is TL 132,129,182 (31 December 2015: TL 126,098,464) in the condensed consolidated interim statement of financial position as at 30 June 2016.

Fair value of held-to-maturity investment securities is TL 7,679,660 (31 December 2015: TL 7,496,076), whereas the carrying amount is TL 7,746,195 (31 December 2015: TL 7,677,729) in the condensed consolidated interim statement of financial position as at 30 June 2016.

The fair value of the funds borrowed, subordinated liabilities, deposits from banks and deposits from customers approximates their carrying amounts since they bear floating rates.

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4. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES (Continued)

The classification of fair value measurements of financial assets and liabilities at 30 June 2016 is as follows:

30 June 2016	Level 1	Level 2	Level 3^(*)	Total
Asset carried at fair value				
Financial assets at fair value through profit/loss				
Debt securities	88,398	-	-	88,398
Derivative financial assets held for trading purposes ^(**)	32	983,486	-	983,518
Investment Funds	1,193	-	-	1,193
Equity securities	4,557	-	-	4,557
Investment securities - available-for-sale				
Debt securities ^(***)	13,166,553	4,655,274	-	17,821,827
Equity securities ^(****)	-	22,412	68,226	90,638
Total financial assets measured at fair value	13,260,733	5,661,172	68,226	18,990,131
Financial liabilities held for trading purpose				
Derivative financial liabilities held for trading purpose ^(**)	-	(743,796)	-	(743,796)
Total financial liabilities measured at fair value	-	(743,796)	-	(743,796)

(*) These amounts consist of fair value of the equity investments determined by independent valuation companies. Fair value of equity investments are determined by using discount rates, macroeconomic factors and projected cash flows. Changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions does not have a significant effect on total investment portfolio.

(**) The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for derivatives with option features.

(***) The fair value of debt securities, are calculated using quoted prices. Where such prices are not available, estimate is made based on the latest available price adjusted by the accrued interest.

(****) Equity shares amounting to TL 51,616 (31 December 2015: TL 51,100) carried at cost is not included in the table.

There were no transfers between Level 1 and Level 2 during the period.

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4. FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES (Continued)

The classification of fair value measurements of financial assets and liabilities measured at 31 December 2015 is as follows:

31 December 2015	Level 1	Level 2	Level 3	Total
Asset carried at fair value				
Financial assets at fair value through profit/loss				
Debt securities	69,685	25,711	-	95,396
Derivative financial assets held for trading purpose	-	885,467	-	885,467
Investment funds	13,234	-	-	13,234
Equity securities	1,832	-	-	1,832
Investment securities - available-for-sale				
Debt securities	14,322,018	2,934,840	-	17,256,858
Equity securities	-	-	144,043 ^(*)	144,043
Total financial assets	14,406,769	3,846,018	144,043	18,396,830
Financial liabilities held for trading purpose				
Derivative financial liabilities held for trading purpose	-	(304,352)	-	(304,352)
Total financial liabilities	-	(304,352)	-	(304,352)

^(*) These amounts 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 follows:

	30 June 2016	30 June 2015
Balance at the beginning of the period - 1 January	144,043	63,372
Total gains or losses for the period recognized in other comprehensive income	(75,817)	(2,888)
Balance at the end of the period - 30 June	68,226	60,484

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5. SEGMENT INFORMATION

The Board of Directors of the Bank is the Group’s chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

Geographical information

The Group’s activities are conducted predominantly in Turkey which is also the main operating company. The Group conducts majority of its business activities with local customers in Turkey.

Operating segments

The strategic business units offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis. The Group has the following segments, as described below:

- *Retail banking*; includes loans, deposits and other transactions and balances with retail customers.
- *Corporate and commercial banking*; includes loans, deposits and other transactions and balances with corporate customers.
- *Investment banking*; includes the Group’s trading and corporate finance activities and undertakes the Group’s funding and centralized risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities.
- *Insurance*; includes the Group’s insurance business.
- *Leasing*; includes the Group’s finance lease business.
- *Factoring*; includes the Group’s factoring business.
- *Other segments*; includes combined information about operating segments that do not meet the quantitative thresholds

The Board of Directors assesses the performance of the operating segments based on a measure of profit before income tax adjusted for certain income and expenses. Performance is measured based on segment profit before income tax adjusted for certain income and expenses, as included in the internal management reports that are reviewed by the Board of Directors. This measure is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

Measurement of segment assets and liabilities and operating segment results are based on the accounting policies set out in the accounting policy notes in the annual consolidated financial statements for the year ended 31 December 2015.

Information regarding the results of reportable segments is included below:

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5. SEGMENT INFORMATION (Continued)

30 June 2016	Retail Banking	Corporate Banking	Investment Banking	Unallocated	Total Banking	Insurance	Leasing	Factoring	Others	Combined	Eliminations	Total
Interest income on loan and receivables	2,364,893	3,835,084	509,478	-	6,709,455	-	54,328	-	682	6,764,465	(6,300)	6,758,165
Interest expense on deposits	(1,633,309)	(1,880,797)	(127,633)	-	(3,641,739)	-	-	-	-	(3,641,739)	33,807	(3,607,932)
Operating profit	851,986	1,759,456	733,328	(128,564)	3,216,206	585,036	21,003	14,455	48,776	3,885,476	(114,063)	3,771,413
Profit before income tax	454,587	934,984	489,503	(596,640)	1,282,434	(50,330)	12,897	10,653	37,430	1,293,084	-	1,293,084
Income tax expense	(88,658)	(182,350)	(95,468)	116,363	(250,113)	(2,018)	(2,724)	(2,168)	(1,607)	(258,630)	-	(258,630)
Profit for the year	365,929	752,634	394,035	(480,277)	1,032,321	(52,348)	10,173	8,485	35,823	1,034,454	-	1,034,454
30 June 2016												
Segment assets	39,203,428	90,729,801	55,903,525	7,349,530	193,186,284	2,618,274	1,497,136	900,631	1,319,070	199,521,395	(1,249,222)	198,272,173
Investments in associates and subsidiaries	-	-	1,760,627	-	1,760,627	306,239	3,226	2,620	56,358	2,129,070	(1,845,336)	283,734
Investment in equity accounted investments	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	39,203,428	90,729,801	57,664,152	7,349,530	194,946,911	2,924,513	1,500,362	903,251	1,375,428	201,650,465	(3,094,558)	198,555,907
Segment liabilities	50,297,639	59,544,565	57,717,074	8,356,016	175,915,294	2,492,547	1,346,508	789,018	290,418	180,833,785	(1,284,824)	179,548,961
Equity including non-controlling interest	-	-	-	19,031,617	19,031,617	431,966	153,854	114,233	1,085,010	20,816,680	(1,809,734)	19,006,946
Total liabilities and equity	50,297,639	59,544,565	57,717,074	27,387,633	194,946,911	2,924,513	1,500,362	903,251	1,375,428	201,650,465	(3,094,558)	198,555,907
Tangible fixed assets	-	-	-	159,908	159,908	-	-	-	-	159,908	-	159,908
Intangible fixed assets	-	-	-	196,743	196,743	-	-	-	-	196,743	-	196,743
Depreciation	-	-	-	18,227	18,227	-	-	-	-	18,227	-	18,227
Amortization	-	-	-	67,170	67,170	-	-	-	-	67,170	-	67,170

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5. SEGMENT INFORMATION (Continued)

30 June 2015	Retail Banking	Corporate Banking	Investment Banking	Unallocated	Total Banking	Insurance	Leasing	Factoring	Others	Combined	Eliminations	Total
Interest income on loan and receivables	2,015,736	3,404,502	-	-	5,420,238	-	47,180	-	895	5,468,313	(4,826)	5,463,487
Interest expense on deposits	(1,169,814)	(1,575,836)	(99,462)	-	(2,845,112)	-	-	-	-	(2,845,112)	29,214	(2,815,898)
Operating profit	1,006,509	1,704,282	285,126	(332,002)	2,663,915	538,432	18,899	11,729	44,538	3,277,513	(129,101)	3,148,412
Profit before income tax	559,734	816,398	40,838	(580,183)	836,787	(168,058)	12,253	8,912	(17,568)	672,326	-	672,326
Income tax expense	(105,492)	(153,865)	(7,697)	109,345	(157,709)	6,763	(1,276)	(2,403)	(544)	(155,169)	-	(155,169)
Profit for the year	454,242	662,533	33,141	(470,838)	679,078	(161,295)	10,977	6,509	(18,112)	517,157	-	517,157
31 December 2015	Retail Banking	Corporate Banking	Investment Banking	Unallocated	Total Banking	Insurance	Leasing	Factoring	Others	Combined	Eliminations	Total
Segment assets	36,859,220	87,069,824	51,841,800	6,973,249	182,744,093	2,667,552	1,502,346	778,226	1,201,700	188,893,917	(1,043,340)	187,850,577
Investments in associates and subsidiaries	-	-	1,769,569	-	1,769,569	301,655	3,226	2,620	56,464	2,133,534	(1,870,352)	263,182
Investment in equity accounted investees	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	36,859,220	87,069,824	53,611,369	6,973,249	184,513,662	2,969,207	1,505,572	780,846	1,258,164	191,027,451	(2,913,692)	188,113,759
Segment liabilities	47,588,682	59,301,593	52,007,978	7,841,259	166,739,512	2,487,029	1,361,930	675,117	189,200	171,452,788	(1,081,696)	170,371,092
Equity including non-controlling interest	-	-	-	17,774,151	17,774,151	482,178	143,642	105,729	1,068,964	19,574,664	(1,831,997)	17,742,667
Total liabilities and equity	47,588,682	59,301,593	52,007,978	25,615,410	184,513,663	2,969,207	1,505,572	780,846	1,258,164	191,027,452	(2,913,693)	188,113,759
Tangible fixed assets	-	-	-	(209,841)	(209,841)	-	-	-	-	(209,841)	-	(209,841)
Intangible fixed assets	-	-	-	197,793	197,793	-	-	-	-	197,793	-	197,793
Depreciation	-	-	-	(209,190)	(209,190)	-	-	-	-	(209,190)	-	(209,190)
Amortization	-	-	-	30,269	30,269	-	-	-	-	30,269	-	30,269

The measurement basis adopted by the Board of Directors to assess the performance of the operating segments excludes fixed assets and accordingly; segment information related to depreciation and amortization expenses and capital expenditures is not provided.

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6. CASH AND CASH EQUIVALENTS

As at 30 June 2016 and 31 December 2015, cash and cash equivalents presented in the consolidated statement of financial position and cash flows are as follows:

	30 June 2016	31 December 2015
Cash on hand	1,658,510	1,440,011
Due from Central Bank	20,365,264	18,441,151
Balances with the CBT excluding reserve deposits	3,518,741	1,393,197
Receivables from repurchase agreements	5,808	6,699
Loans and advances to banks with original maturity less than three months	5,431,500	6,115,662
Others	262,991	216,642
Total cash and cash equivalents in the consolidated statement of financial position	31,242,814	27,613,362
Accruals on cash and cash equivalents	(34,704)	(24,559)
Blocked bank deposits	(875,383)	(192,096)
Total cash and cash equivalents in the consolidated statement of cash flows	30,332,727	27,396,707

7. DEBT SECURITIES ISSUED

The Bank issued Eurobonds in the scope of Global Medium Term Notes (GMTN). The details of debt securities issued are as follows:

	30 June 2016			31 December 2015		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
Nominal	3,104,091	8,836,957	11,941,048	3,332,669	7,334,807	10,667,476
Cost	2,990,875	8,775,633	11,766,508	3,198,134	7,288,382	10,486,516
Net Book Value	3,059,296	8,855,327	11,914,623	3,257,620	7,389,088	10,646,708

30 June 2016	Currency	Maturity	Interest Rate (min)	Interest Rate (max)	Net Book Value
Bank Bonds	TL	Up to 1 year	9.05	11.32	2,948,549
Bank Bonds	TL	1-3 years	-	-	-
Bank Bonds	TL	3-5 years	-	-	-
Bank Bonds	EUR	Up to 1 year	0.15	1.04	412,257
Bank Bonds	EUR	1-3 years	3.50	3.50	1,576,784
Bank Bonds	EUR	3-5 years	2.38	2.38	1,589,867
Bank Bonds	USD	Up to 1 year	0.44	5.75	2,090,734
Bank Bonds	USD	1-3 years	3.75	5.00	3,185,685
Bank Bonds	USD	3-5 years	-	-	-
Private Sector Bonds	TL	Up to 1 year	11.42	11.42	110,747

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7. DEBT SECURITIES ISSUED (Continued)

31 December 2015	Currency	Maturity	Interest Rate (min)	Interest Rate (max)	Net Book Value
Bank Bonds	TL	Up to 1 year	10.10	11.38	3,128,044
Bank Bonds	TL	1-3 years	-	-	-
Bank Bonds	TL	3-5 years	-	-	-
Bank Bonds	EUR	Up to 1 year	0.22	2.08	600,930
Bank Bonds	EUR	1-3 years	3.50	3.50	1,589,640
Bank Bonds	EUR	3-5 years	-	-	-
Bank Bonds	USD	Up to 1 year	1.45	1.77	517,656
Bank Bonds	USD	1-3 years	3.75	5.00	4,668,752
Bank Bonds	USD	3-5 years	-	-	-
Bank Bonds	JPY	Up to 1 year	0.93	0.93	12,110
Private Sector Bonds	TL	Up to 1 year	11.72	11.72	129,576

The movement during the period is as follows:

	30 June 2016	30 June 2015
Balance at the beginning of the period - 1 January	10,646,708	10,384,708
Proceeds from issue of debt securities (including accruals)	5,583,200	4,885,664
Interest paid	(318,983)	(266,078)
Repayments of debt securities	(3,996,302)	(3,296,849)
Balance at the end of the period - 30 June	11,914,623	11,707,445

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period:

	1 January - 30 June 2016	1 January - 30 June 2015
Net profit attributable to owners of the Parent	1,053,732	613,719
Number of ordinary shares for basic earnings per share	250,000,000,000	250,000,000,000
Basic earnings per share (full TL)	0.0042	0.0025

There is no dilution of shares for the six months period ended 30 June 2016 and 30 June 2015.

In current period the group paid dividends amounting to TL 107,548 (30 June 2015: TL 101,513) to the owners of ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated interim financial statements.

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9. RELATED PARTY TRANSACTIONS

For the purpose of these condensed consolidated interim financial statements, shareholders (namely General Directorate of the Registered Foundations and Appendant Foundations represented by the General Directorate of the Foundations), subsidiaries, associates, other group companies and key management personnel of the Group or of its parent and their close family members are referred to as related parties.

The Group conducted some business transactions with related parties on normal commercial terms and conditions. The following balances exist and transactions have been entered into with related parties:

Related party	30 June 2016			31 December 2015		
	Cash loans	Non-cash loans	Deposits	Cash loans	Non-cash loans	Deposits
Shareholders with significant influence	1	39,065	828,764	6	30,492	771,614
Associates	-	-	136,146	-	-	79,449
Key management personnel	52	-	1,006	-	-	1,396
Total	53	39,065	965,916	6	30,492	852,459

Related party	30 June 2016				30 June 2015			
	Commission Income	Interest income	Interest expense	Other operating expense	Commission Income	Interest income	Interest expense	Other operating Expense
Shareholders with significant influence	7	-	33,172	57	-	-	21,936	-
Associates	-	7	2,708	-	15	1	1,943	-
Total	7	7	35,880	57	15	1	23,879	-

Key Management Remuneration

For the six-month periods ended 30 June 2016, the key management personnel received remuneration and fees amounted to TL 13,367 (30 June 2015: TL 12,673).

10. OTHER INCOME

For the six-month periods ended 30 June 2016 and 2015, other income comprised the followings:

	30 June 2016	30 June 2015
Earned premiums	424,133	373,910
<i>Written premiums</i>	686,125	466,999
<i>Change in reserve for unearned premiums</i>	(261,992)	(93,089)
Gain on sale of fixed assets	129,031	39,359
Individual pension business income	36,860	31,596
Excess fee charged to customers for communication expenses	22,057	24,686
Reversal of miscellaneous provision	2,662	21,000
Dividend income from equity shares	36,035	4,988
Rent income	578	214
Other items	75,072	66,548
Total	726,428	562,301

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11. SALARIES AND EMPLOYEE BENEFIT EXPENSES

For the six month periods ended 30 June 2016 and 2015, salaries and employee benefit expenses comprised the following:

	30 June 2016	30 June 2015
Wages and salaries	(349,306)	(318,462)
Other fringe benefits	(352,143)	(321,047)
Employer’s share of social security premiums	(119,240)	(106,834)
Provision for short term employee benefits	(78,791)	(72,845)
Provision for employee termination benefits	(33,993)	(29,838)
Change in provision for liability for unused vacations	(5,873)	(4,540)
Total	(939,346)	(853,566)

12. OTHER EXPENSES

For the six month periods ended 30 June 2016 and 2015, other expenses comprised the following:

	30 June 2016	30 June 2015
Incurred insurance claims	(376,725)	(502,744)
<i>Insurance claims paid</i>	(338,302)	(292,889)
<i>Change in provision for outstanding claims</i>	(38,423)	(209,855)
Banking services promotion expenses	(294,938)	(240,531)
Rent expenses and operating lease charges	(143,017)	(120,014)
Saving Deposit Insurance Fund premiums	(66,962)	(58,766)
Service expenses	(61,610)	(51,210)
Communication expenses	(47,071)	(43,198)
Advertising expenses	(39,691)	(36,516)
Legal expenses	(30,417)	(35,568)
Cleaning service expenses	(32,158)	(25,399)
Other provision expenses	(27,422)	(64,997)
Maintenance expenses	(23,708)	(18,002)
Energy expenses	(16,496)	(15,133)
Computer usage expenses	(13,963)	(14,211)
BRSA participation fee	(13,756)	(11,890)
Office supplies	(12,963)	(10,160)
Credit card promotion expenses	(10,357)	(7,149)
Consultancy expenses	(10,291)	(9,296)
Transportation expenses	(9,070)	(8,800)
Insurance expense	(7,822)	(8,077)
Hosting expenses	(5,605)	(4,462)
Loss on sale of assets	(1,186)	(252)
Individual pension business expenses	(491)	(436)
Other various administrative expenses	(138,092)	(196,305)
Total	(1,383,811)	(1,483,116)

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13. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements include the following:

	30 June 2016	31 December 2015
Letters of guarantee	27,493,282	26,797,593
Letters of credit	5,154,235	4,788,709
Acceptance credits	756,367	1,476,013
Other guarantees	84,362	57,586
Total financial guarantee contracts	33,488,246	33,119,901
Credit card limit commitments	8,158,027	7,399,361
Loan commitments	8,976,990	8,494,747
Commitments for cheque payments	2,005,128	1,805,569
Commitments for credit card and banking operations promotions	267,056	196,037
Other commitments	19,674,150	16,952,330
Total commitments	39,081,351	34,848,044
Total commitments and contingencies	72,569,597	67,967,945

Contingent assets and liabilities

There are various legal cases against the Group for which TL 10,472 (31 December 2015: TL 9,435) provision has been provided, excluding routine insurance claims.

Due to the nature of insurance business and considering the general attitude of the legal system in favour of the policyholders, the Group provides in full for the claims opened, except for these claims including damages for mental anguish and risks which are not covered by the insurance policies. Since most of such material claims are ceded to reinsurance firms by facultative agreements, such claims, net of ceded amounts have no material effect on the Group’s financial position.

Information on derivative financial instruments

	30 June 2016	31 December 2015
	Notional Amounts	Notional Amounts
Trading Derivatives		
Foreign Currency Related Derivative Transactions	48,084,484	28,241,368
Currency Forwards	670,596	468,760
Currency Swaps	46,793,258	27,259,078
Currency Futures	-	-
Currency Options	620,630	513,530
Interest Rate Derivative Transactions	12,674,274	13,313,758
Interest Rate Forwards	-	-
Interest Rate Swaps	12,674,274	13,313,758
Interest Rate Options	-	-
Investment Security Options	-	-
Interest Rate Futures	-	-
Other Trading Derivatives	10,223,466	8,954,555
Total Derivative Transactions	70,982,224	50,509,681

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14. SUBSEQUENT EVENTS

On July 28th, 2016, The European Bank for Reconstruction and Development (EBRD) announced the approval of a new loan limit amounting EUR 150 million for the Parent Bank. This new loan will be used to real sector under three different programs in different currencies.

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

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