

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT DECEMBER 31, 2016
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

**(Convenience Translation of Publicly Announced
Unconsolidated Financial Statements and Independent
Auditors' 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 Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as at 31 December 2016 and the related unconsolidated statement of income, unconsolidated income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated 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 Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated 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 unconsolidated 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 bank's 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.



Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as at 31 December 2016 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 2016 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM
Partner

Istanbul, 20 February 2017

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016**

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The unconsolidated financial report as at and for the year ended December 31, 2016, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements for the year and related disclosures and footnotes 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 unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been independent audited.

February 20, 2017

Ramazan GÜNDÜZ
Chairman of the Board of
Directors

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

Sabahattin BİRDAL
Board member and
Audit Committee Member

Halil AYDOĞAN
General Manager and
Board Member

Metin Recep ZAFER
Assistant General Manager

Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

The Bank’s shareholders structure as at December 31, 2016 is as stated below:

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

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EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
Ramazan GÜNDÜZ	Chairman	March 29, 2013	University	38 years
Mehmet Emin ÖZCAN	Deputy Chairman	March 29, 2013	University	33 years
Halil AYDOĞAN	Member - General Manager	March 29, 2013	University	39 years
İsmail ALPTEKİN	Member	April 6, 2009	University	18 years
Dr. Adnan ERTEM	Member	October 28, 2010	PHD	28 years
Sabahattin BİRDAL	Member	March 31, 2014	University	39 years
Öztürk ORAN	Member	April 30, 2014	University	41 years
Dilek YÜKSEL	Member	March 29, 2016	University	4 years
<u>Audit Committee</u>				
Mehmet Emin ÖZCAN	Member	April 4, 2014	University	33 years
Sabahattin BİRDAL	Member	April 4, 2014	University	39 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master	19 years
Mehmet Emin BAYSA	Auditor	March 29, 2016	Master	15 years
<u>Assistant General Managers</u>				
Metin Recep ZAFER	Accounting and Financial Affairs, Treasury and Foreign Operations, Banking Operations, Consumer Coordination Attendant, Application Development Departments, System Management, IT Operations and Support, IT Demand Management Directorate, IT Business Development, Project Management Directorate, Information Security, IT Process Management and Compliance Directorate	June 13, 2006	PHD	21 years
Hasan ECESoy	Treasury, International Relations and Investor Relations, Coordination of Foreign Branches	June 18, 2010	PHD	23 years
Serdar SATOĞLU	Private Banking, Associates	July 2, 2010	PHD	21 years
Osman DEMREN	Commercial and Corporate Loans, Consumer and SME Loans, Intelligence	April 6, 2011	Master	26 years
Muhammet Lütfü ÇELEBİ	Commercial and Corporate Banking, SME Banking, Cash Management Affairs, Corporate Branches	October 23, 2013	University	21 years
Mustafa SAYDAM	Human Resources, Support Services, Distribution Channels	October 28, 2013	University	23 years
Mehmet Emin KARAAĞAÇ	Loans and Follow-up, Legal Affairs	November 8, 2013	University	27 years
Yakup ŞİMŞEK	Retail Banking, Payment Systems, Payment System Operations, Insurance Banking	September 7, 2016	University	20 years

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EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

GENERAL INFORMATION (Continued)

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

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

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

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

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

IV. INFORMATION ON THE BANK’S QUALIFIED SHAREHOLDERS

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

The shareholder holding control over the Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank’s outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

GENERAL INFORMATION (Continued)

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

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

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

As at December 31, 2016, the Bank has 921 domestic, 3 foreign, in total 924 branches (December 31, 2015: 917 domestic, 3 foreign, in total 920 branches). As at December 31, 2016, the Bank has 15,615 employees (December 31, 2015: 15,410 employees).

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

None.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT DECEMBER 31, 2016**

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

ASSETS	Notes	Audited Current Period December 31, 2016			Audited Prior Period December 31, 2015		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,409,130	19,956,167	24,365,297	2,133,980	19,350,809	21,484,789
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	1,478,068	133,112	1,611,180	739,339	146,128	885,467
2.1 Financial assets held for trading purpose		1,478,068	133,112	1,611,180	739,339	146,128	885,467
2.1.1 Debt securities issued by the governments		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading purpose	V-I-2	1,477,867	133,112	1,610,979	739,339	146,128	885,467
2.1.4 Other securities		201	-	201	-	-	-
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Debt securities issued by the governments		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	V-I-3	37,570	3,852,752	3,890,322	370,201	4,864,065	5,234,266
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,588,929	5,230,128	17,819,057	12,100,346	4,673,623	16,773,969
5.1 Equity securities		15	27,595	27,610	15	79,238	79,253
5.2 Debt securities issued by the governments		12,588,914	5,202,533	17,791,447	12,100,331	4,594,385	16,694,716
5.3 Other securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	V-I-5	100,121,757	47,590,618	147,712,375	88,430,947	35,349,706	123,780,653
6.1 Performing loans and receivables		99,028,374	47,590,618	146,618,992	87,624,772	35,349,706	122,974,478
6.1.1 Loans provided to risk group	V-VII-1	36,595	295,669	332,264	86,394	60,304	146,698
6.1.2 Debt securities issued by the governments		-	-	-	-	-	-
6.1.3 Other		98,991,779	47,294,949	146,286,728	87,538,378	35,289,402	122,827,780
6.2 Loans under follow-up		6,413,503	-	6,413,503	4,850,213	-	4,850,213
6.3 Specific provisions (-)		5,320,120	-	5,320,120	4,044,038	-	4,044,038
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	8,039,914	140,621	8,180,535	7,546,748	130,981	7,677,729
8.1 Debt securities issued by the governments		8,039,914	-	8,039,914	7,546,748	-	7,546,748
8.2 Other securities		-	140,621	140,621	-	130,981	130,981
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	299,478	-	299,478	270,290	-	270,290
9.1 Associates, consolidated per equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		299,478	-	299,478	270,290	-	270,290
9.2.1 Financial associates		288,078	-	288,078	258,890	-	258,890
9.2.2 Non-Financial associates		11,400	-	11,400	11,400	-	11,400
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	1,363,012	434,112	1,797,124	1,170,175	434,144	1,604,319
10.1 Unconsolidated financial subsidiaries		1,094,116	434,112	1,528,228	916,026	434,144	1,350,170
10.2 Unconsolidated non-financial subsidiaries		268,896	-	268,896	254,149	-	254,149
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES	V-I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	1,401,949	7,926	1,409,875	1,378,858	4,292	1,383,150
XV. INTANGIBLE ASSETS (Net)	V-I-13	193,866	-	193,866	171,277	-	171,277
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		193,866	-	193,866	171,277	-	171,277
XVI. INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-	-	-	-
XVII. TAX ASSETS		83,109	-	83,109	15,421	-	15,421
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets	V-I-15	83,109	-	83,109	15,421	-	15,421
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,227,867	-	1,227,867	994,964	-	994,964
18.1 Assets held for sale		1,227,867	-	1,227,867	994,964	-	994,964
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	1,685,657	2,264,163	3,949,820	1,638,950	1,031,880	2,670,830
TOTAL ASSETS		132,930,306	79,609,599	212,539,905	116,961,496	65,985,628	182,947,124

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT DECEMBER 31, 2016**

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

			Audited Current Period December 31, 2016			Audited Prior Period December 31, 2015		
LIABILITIES AND EQUITY		Notes	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	86,113,201	37,725,176	123,838,377	76,470,518	33,452,016	109,922,534
1.1	Deposits of the risk group	V-VII-1	1,984,546	212,599	2,197,145	1,625,019	185,477	1,810,496
1.2	Other deposits		84,128,655	37,512,577	121,641,232	74,845,499	33,266,539	108,112,038
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	954,633	189,070	1,143,703	139,504	150,085	289,589
III.	FUNDS BORROWED	V-II-3	671,898	23,521,872	24,193,770	332,783	18,223,214	18,555,997
IV.	INTERBANK MONEY MARKET		11,172,470	1,722,864	12,895,334	9,340,604	3,403,437	12,744,041
4.1	Interbank money market takings		2,501,180	-	2,501,180	1,150,343	-	1,150,343
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		8,671,290	1,722,864	10,394,154	8,190,261	3,403,437	11,593,698
V.	SECURITIES ISSUED (Net)	V-II-3	3,268,595	11,439,150	14,707,745	3,128,044	7,419,715	10,547,759
5.1	Bills		3,268,595	-	3,268,595	3,128,044	-	3,128,044
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	11,439,150	11,439,150	-	7,419,715	7,419,715
VI.	FUNDS		3,319	-	3,319	4,228	-	4,228
6.1	Funds against borrower’s note		-	-	-	-	-	-
6.2	Other		3,319	-	3,319	4,228	-	4,228
VII.	MISCELLANEOUS PAYABLES		4,381,317	781,677	5,162,994	3,539,365	620,852	4,160,217
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	677,086	1,999,105	2,676,191	601,292	1,770,238	2,371,530
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	3,205,470	18,622	3,224,092	2,906,753	17,019	2,923,772
12.1	General provisions	V-II-7	2,153,773	13,670	2,167,443	1,944,150	13,453	1,957,603
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		710,171	-	710,171	674,894	-	674,894
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions	V-II-7	341,526	4,952	346,478	287,709	3,566	291,275
XIII.	TAX LIABILITIES	V-II-8	422,131	2,325	424,456	488,757	1,678	490,435
13.1	Current tax liabilities		422,131	2,325	424,456	488,757	1,678	490,435
13.2	Deferred tax liabilities		-	-	-	-	-	-
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	5,031,213	5,031,213	-	4,169,474	4,169,474
XVI.	EQUITY		19,035,854	202,857	19,238,711	16,336,411	431,137	16,767,548
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		2,070,365	202,857	2,273,222	1,972,304	431,137	2,403,441
16.2.1	Share premium		723,918	-	723,918	723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-11	495,171	202,857	698,028	399,276	431,137	830,413
16.2.4	Revaluation surplus on tangible assets		829,895	-	829,895	830,149	-	830,149
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		69,222	-	69,222	69,222	-	69,222
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(47,841)	-	(47,841)	(50,261)	-	(50,261)
16.3	Profit reserves		11,762,447	-	11,762,447	9,933,998	-	9,933,998
16.3.1	Legal reserves		1,367,022	-	1,367,022	1,174,010	-	1,174,010
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		9,964,966	-	9,964,966	8,329,529	-	8,329,529
16.3.4	Other profit reserves		430,459	-	430,459	430,459	-	430,459
16.4	Profit or loss		2,703,042	-	2,703,042	1,930,109	-	1,930,109
16.4.1	Prior years’ profit/loss		-	-	-	-	-	-
16.4.2	Current period’s profit/loss		2,703,042	-	2,703,042	1,930,109	-	1,930,109
TOTAL LIABILITIES AND EQUITY			129,905,974	82,633,931	212,539,905	113,288,259	69,658,865	182,947,124

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED OFF-BALANCE SHEET ITEMS
AS AT DECEMBER 31, 2016**

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

	Notes	Audited Current Period December 31, 2016			Audited Prior Period December 31, 2015		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES							
(I+II+III)		71,071,210	75,396,231	146,467,441	54,047,046	63,505,765	117,552,811
I. GUARANTEES AND SURETIES	V-III-2-4	26,743,456	13,704,968	40,448,424	22,083,837	10,984,524	33,068,361
1.1 Letters of guarantee		26,687,992	5,626,758	32,314,750	21,980,769	4,810,034	26,790,803
1.1.1 Guarantees subject to State Tender Law		3,203,501	2,571,209	5,774,710	2,542,809	2,199,589	4,742,398
1.1.2 Guarantees given for foreign trade operations		1,059,516	-	1,059,516	1,030,530	-	1,030,530
1.1.3 Other letters of guarantee		22,424,975	3,055,549	25,480,524	18,407,430	2,610,445	21,017,875
1.2 Bank acceptances		53,702	1,143,484	1,197,186	86,762	1,389,251	1,476,013
1.2.1 Import letter of acceptance		-	395,874	395,874	1,590	189,471	191,061
1.2.2 Other bank acceptances		53,702	747,610	801,312	85,172	1,199,780	1,284,952
1.3 Letters of credit		1,762	6,911,368	6,913,130	16,306	4,772,403	4,788,709
1.3.1 Documentary letters of credit		1,762	6,911,368	6,913,130	16,306	4,772,403	4,788,709
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed pre-financings		-	2,796	2,796	-	2,314	2,314
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of The Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Marketable securities underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	16,890	16,890	-	10,522	10,522
1.9 Other sureties		-	3,672	3,672	-	-	-
II. COMMITMENTS		26,475,216	12,535,618	39,010,834	21,439,019	13,120,948	34,559,967
2.1 Irrevocable commitments		23,451,047	1,502,055	24,953,102	19,031,959	3,730,953	22,762,912
2.1.1 Asset purchase commitments	V-III-1	1,362,697	1,502,055	2,864,752	112,420	3,730,953	3,843,373
2.1.2 Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries	V-III-1	-	-	-	-	-	-
2.1.4 Loan granting commitments	V-III-1	9,817,555	-	9,817,555	8,482,816	-	8,482,816
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments	V-III-1	2,154,102	-	2,154,102	1,805,569	-	1,805,569
2.1.8 Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card limits	V-III-1	8,682,835	-	8,682,835	7,399,361	-	7,399,361
2.1.10 Commitments for credit card and banking operations promotions		300,108	-	300,108	196,037	-	196,037
2.1.11 Receivables from “short” sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from “short” sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,133,750	-	1,133,750	1,035,756	-	1,035,756
2.2 Revocable commitments		3,024,169	11,033,563	14,057,732	2,407,060	9,389,995	11,797,055
2.2.1 Revocable loan granting commitments		3,024,169	11,033,563	14,057,732	2,407,060	9,389,995	11,797,055
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	17,852,538	49,155,645	67,008,183	10,524,190	39,400,293	49,924,483
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value hedges		-	-	-	-	-	-
3.1.2 Cash flow hedges		-	-	-	-	-	-
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		17,852,538	49,155,645	67,008,183	10,524,190	39,400,293	49,924,483
3.2.1 Forward foreign currency purchases/sales		489,310	1,120,684	1,609,994	211,514	257,246	468,760
3.2.1.1 Forward foreign currency purchases		244,982	560,368	805,350	106,014	128,693	234,707
3.2.2.2 Forward foreign currency sales		244,328	560,316	804,644	105,500	128,553	234,053
3.2.2 Currency and interest rate swaps		16,314,487	37,172,783	53,487,270	9,442,940	30,544,698	39,987,638
3.2.2.1 Currency swaps-purchases		8,539,652	11,631,406	20,171,058	4,382,013	12,050,672	16,432,685
3.2.2.2 Currency swaps-sales		6,324,835	9,924,553	16,249,388	4,160,927	6,080,268	10,241,195
3.2.2.3 Interest rate swaps-purchases		725,000	7,808,412	8,533,412	450,000	6,206,879	6,656,879
3.2.2.4 Interest rate swaps-sales		725,000	7,808,412	8,533,412	450,000	6,206,879	6,656,879
3.2.3 Currency, interest rate and security options		142,676	730,632	873,308	258,134	255,396	513,530
3.2.3.1 Currency call options		121,124	306,804	427,928	65,004	185,976	250,980
3.2.3.2 Currency put options		21,552	423,828	445,380	193,130	69,420	262,550
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		-	-	-	-	-	-
3.2.3.6 Security put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-purchases		-	-	-	-	-	-
3.2.4.2 Currency futures-sales		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	-	-	-	-	-
3.2.6 Other		906,065	10,131,546	11,037,611	611,602	8,342,953	8,954,555
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,043,040,320	580,201,858	1,623,242,178	899,689,613	421,931,972	1,321,621,585
IV. ITEMS HELD IN CUSTODY		54,374,804	4,027,246	58,402,050	74,007,877	3,193,339	77,201,216
4.1 Customers' securities held		-	-	-	-	28,306	28,306
4.2 Investment securities held in custody		43,319,878	147,806	43,467,684	63,189,794	118,086	63,307,880
4.3 Checks received for collection		9,130,796	2,502,025	11,632,821	8,967,543	2,282,378	11,249,921
4.4 Commercial notes received for collection		941,776	410,946	1,352,722	1,065,285	310,417	1,375,702
4.5 Other assets received for collection		2,152	141	2,293	2,152	116	2,268
4.6 Assets received through public offering		-	-	-	-	-	-
4.7 Other items under custody		309	66,081	66,390	309	48,883	49,192
4.8 Custodians		979,893	900,247	1,880,140	782,794	405,153	1,187,947
V. PLEDGED ITEMS		280,652,246	104,200,492	384,852,738	235,391,497	82,272,386	317,663,883
5.1 Securities		495,249	16,366	511,615	435,193	14,171	449,364
5.2 Guarantee notes		767,038	544,996	1,312,034	792,339	429,076	1,221,415
5.3 Commodities		31,750,967	775,907	32,526,874	28,164,121	681,732	28,845,853
5.4 Warranties		-	-	-	-	-	-
5.5 Real estates		230,129,196	86,340,346	316,469,542	191,738,765	67,309,165	259,047,930
5.6 Other pledged items		16,959,461	16,365,309	33,324,770	13,657,901	13,683,601	27,341,502
5.7 Pledged items-depository		550,335	157,568	707,903	603,178	154,641	757,819
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		708,013,270	471,974,120	1,179,987,390	590,290,239	336,466,247	926,756,486
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,114,111,530	655,598,089	1,769,709,619	953,736,659	485,437,737	1,439,174,396

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	Notes	Audited Current Period January 1, 2016-December 31, 2016	Audited Prior Period January 1, 2015-December 31, 2015
I. INTEREST INCOME		16,557,626	13,630,050
1.1 Interest income from loans	V-IV-1	14,211,917	11,529,678
1.2 Interest income from reserve deposits		111,798	38,684
1.3 Interest income from banks	V-IV-1	25,032	10,622
1.4 Interest income from money market transactions		-	-
1.5 Interest income from securities portfolio	V-IV-1	2,204,418	2,049,544
1.5.1 Trading financial assets		-	-
1.5.2 Financial assets designated at fair value through profit or loss		-	-
1.5.3 Available-for-sale financial assets		1,496,674	1,393,700
1.5.4 Held-to-maturity investments		707,744	655,844
1.6 Finance lease income		-	-
1.7 Other interest income		4,461	1,522
II. INTEREST EXPENSE		9,590,985	8,143,569
2.1 Interest expense on deposits	V-IV-2	7,213,909	6,131,010
2.2 Interest expense on funds borrowed	V-IV-2	385,750	260,836
2.3 Interest expense on money market transactions		992,840	881,816
2.4 Interest expense on securities issued	V-IV-2	680,296	596,952
2.5 Other interest expenses		318,190	272,955
III. NET INTEREST INCOME (I – II)		6,966,641	5,486,481
IV. NET FEES AND COMMISSIONS INCOME		980,883	921,084
4.1 Fees and commissions received		1,530,415	1,403,631
4.1.1 Non-cash loans		230,650	186,862
4.1.2 Others		1,299,765	1,216,769
4.2 Fees and commissions paid		549,532	482,547
4.2.1 Non-cash loans		67	166
4.2.2 Others		549,465	482,381
V. DIVIDEND INCOME	V-IV-3	91,753	62,219
VI. TRADING INCOME/LOSSES (Net)	V-IV-4	483,813	99,474
6.1 Trading account income/losses	V-IV-4	21,836	46,127
6.2 Income/losses from derivative financial instruments	V-IV-4	357,841	(13,176)
6.3 Foreign exchange gains/losses	V-IV-4	104,136	66,523
VII. OTHER OPERATING INCOME	V-IV-5	954,031	1,048,278
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		9,477,121	7,617,536
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	2,246,514	1,537,060
X. OTHER OPERATING EXPENSES (-)	V-IV-7	3,835,083	3,610,183
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		3,395,524	2,470,293
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		3,395,524	2,470,293
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(692,482)	(540,184)
16.1 Current tax charges		(712,424)	(404,310)
16.2 Deferred tax credits		19,942	(135,874)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-12	2,703,042	1,930,109
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from investment properties		-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3 Other income from discontinued activities		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-	-
19.1 Investment property expenses		-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3 Other expenses from discontinued activities		-	-
XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-
XXI. DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge		-	-
XXII. NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	V-IV-12	2,703,042	1,930,109
Profit/Loss per 100 shares (full TL)	III-XXIV	1.0812	0.7720

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	Audited Current Period January 1, 2016- December 31, 2016	Audited Prior Period January 1, 2015- December 31, 2015
GAINS AND LOSSES RECOGNIZED IN EQUITY		
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES	(238,688)	(567,255)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	(2,017)	577,256
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	-	-
V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-
VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-
VIII. OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	60,089	76,831
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	48,737	78,857
X. NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	(131,879)	165,689
XI. CURRENT PERIOD'S PROFIT/(LOSS)	2,703,042	1,930,109
11.1 Change in fair value of securities (transfers to the statement of income)	(5,861)	35,471
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	2,708,903	1,894,638
XII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	2,571,163	2,095,798

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED DECEMBER 31, 2016**

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

Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium on Profits	Cancellati Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
Prior Period – December 31, 2015																			
I.	Balances at the beginning of the period	2,500,000	-	723,918	-	1,012,796	-	7,214,708	235,227	-	1,753,273	1,216,969	45,637	69,222	-	-	14,771,750	-	14,771,750
II.	Corrections made according to TAS 8																		
2.1.	The effect of corrections of error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	The effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted beginning balance (I+II)	2,500,000	-	723,918	-	1,012,796	-	7,214,708	235,227	-	1,753,273	1,216,969	45,637	69,222	-	-	14,771,750	-	14,771,750
IV.	Changes during the period																		
V.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Associates, Subsidiaries and "Available-for-sale" securities	V-V-1	-	-	-	-	-	-	-	-	-	(386,556)	-	-	-	-	(386,556)	-	(386,556)
VI.	Hedges for risk management																		
6.1	Net cash flow hedges	V-V-2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	548,390	-	-	-	548,390	-	548,390
VIII.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures																		
X.	Translation differences	V-V-3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase																		
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	3,855	-	-	-	-	-	-	-	3,855	-	3,855
XIX.	Current period's net profit/loss	-	-	-	-	-	-	-	-	1,930,109	-	-	-	-	-	-	1,930,109	-	1,930,109
XX.	Profit distribution					161,214		1,114,821	141,116		(1,753,273)		236,122				(100,000)		(100,000)
20.1	Dividends	V-V-5	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	(100,000)	-	(100,000)
20.2	Transferred to reserves	V-V-5	-	-	-	161,214	-	1,114,821	141,116	-	(1,653,273)	-	236,122	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period		2,500,000	-	723,918	-	1,174,010	-	8,329,529	380,198	1,930,109	-	830,413	830,149	69,222	-	-	16,767,548	-	16,767,548

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED DECEMBER 31, 2016**

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

Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancell ation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Shareholders' Assets of Equity before Discount. Op.s	Minority Interest	Minority Interest	Total Shareholders' Equity	
Current Period – December 31, 2016																				
I.	Balances at the beginning of the period	2,500,000	-	723,918	-	1,174,010	-	8,329,529	380,198	-	1,930,109	830,413	830,149	69,222	-	-	16,767,548	-	-	16,767,548
	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities	V-V-1	-	-	-	-	-	-	-	-	-	(132,385)	-	-	-	-	(132,385)	-	-	(132,385)
IV.	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges	V-V-2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	(1,914)	-	-	-	(1,914)	-	-	(1,914)
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	V-V-3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	2,420	-	-	-	-	-	-	-	2,420	-	-	2,420
XVII.	Current period's net profit/loss	-	-	-	-	-	-	-	-	2,703,042	-	-	-	-	-	-	2,703,042	-	-	2,703,042
XVIII.	Profit distribution	-	-	-	-	193,012	-	1,635,437	-	-	(1,930,109)	-	1,660	-	-	(100,000)	(100,000)	-	-	(100,000)
18.1	Dividends	-	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	(100,000)	-	-	-	(100,000)
18.2	Transferred to reserves	-	-	-	-	193,012	-	1,635,437	-	-	(1,830,109)	-	1,660	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period	2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	2,703,042	-	698,028	829,895	69,222	-	-	19,238,711	-	-	19,238,711

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	Notes	Audited Current Period December 31, 2016	Audited Prior Period December 31, 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		3,714,415	2,731,346
1.1.1 Interests received		15,258,012	12,803,948
1.1.2 Interests paid		(9,442,454)	(7,982,534)
1.1.3 Dividends received		14,819	36,072
1.1.4 Fee and commissions received		1,530,415	1,403,631
1.1.5 Other income		114,334	92,949
1.1.6 Collections from previously written-off loans and other receivables		1,156,863	1,010,359
1.1.7 Payments to personnel and service suppliers		(1,723,337)	(1,567,534)
1.1.8 Taxes paid		(926,251)	(675,074)
1.1.9 Other	VI-1	(2,267,986)	(2,390,471)
1.2 Changes in operating assets and liabilities		(4,599,505)	(3,130,897)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		(201)	619
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		1,371,941	(2,251,770)
1.2.4 Net (increase) decrease in loans		(25,683,142)	(20,095,511)
1.2.5 Net (increase) decrease in other assets		(102,153)	(195,002)
1.2.6 Net increase (decrease) in bank deposits		(469,244)	720,842
1.2.7 Net increase (decrease) in other deposits		14,322,656	17,370,140
1.2.8 Net increase (decrease) in funds borrowed		5,604,676	3,621,335
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	VI-1	355,962	(2,301,550)
I. Net cash flow from banking operations		(885,090)	(399,551)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(1,137,408)	(1,544,382)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(76,155)	-
2.2 Proceeds from disposal of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(232,811)	(738,506)
2.4 Proceeds from disposal of tangible assets		458,440	582,358
2.5 Cash paid for purchase of available-for-sale financial assets		(6,473,075)	(4,213,523)
2.6 Proceeds from disposal of available-for-sale financial assets		5,430,885	3,355,028
2.7 Cash paid for purchase of held-to-maturity investments		(1,873,688)	(1,610,704)
2.8 Proceeds from disposal of held-to-maturity investments		1,673,758	1,129,187
2.9 Other	VI-1	(44,762)	(48,222)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		4,836,498	1,949,710
3.1 Cash obtained from funds borrowed and securities issued		14,111,686	9,872,371
3.2 Cash used for repayment of funds borrowed and securities issued		(9,175,188)	(7,822,661)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(100,000)	(100,000)
3.5 Repayments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	VI-1	94,345	12,178
V. Net increase in cash and cash equivalents		2,908,345	17,955
VI. Cash and cash equivalents at the beginning of the period	VI-4	8,200,424	8,182,469
VII. Cash and cash equivalents at the end of the period	VI-4	11,108,769	8,200,424

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	Notes	Current Period December 31, 2016	Prior Period December 31, 2015
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT YEAR'S PROFIT	3,395,524	2,470,293
1.2	TAXES PAYABLE AND LEGAL DUTIES	(692,482)	(540,184)
1.2.1	Corporate tax (income tax)	(712,424)	(404,310)
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties(**)	19,942	(135,874)
A.	NET PROFIT FOR THE YEAR	2,703,042	1,930,109
1.3	DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	-	-
B.	NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME	2,703,042	1,930,109
1.4	ACCUMULATED LOSSES	-	-
1.5	FIRST LEGAL RESERVES	-	(96,506)
1.6	OTHER STATUTORY RESERVES	-	(96,506)
C.	NET PROFIT AVAILABLE FOR DISTRIBUTION ^(*)	-	1,737,097
1.7	FIRST DIVIDEND TO SHAREHOLDERS	-	100,000
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	-	-
1.8	DIVIDENDS TO PERSONNEL ^(*)	-	-
1.9	DIVIDENDS TO BOARD OF DIRECTORS	-	-
1.10	SECOND DIVIDEND TO SHAREHOLDERS	-	-
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	-	-
1.11	SECOND LEGAL RESERVES	-	-
1.12	STATUS RESERVES	-	-
1.13	EXTRAORDINARY RESERVES	-	1,635,437
1.14	OTHER RESERVES	-	-
1.15	SPECIAL FUNDS	-	1,660
II.	DISTRIBUTION FROM RESERVES	-	-
2.1	DISTRIBUTION OF RESERVES	-	-
2.2	SECOND LEGAL RESERVES	-	-
2.3	DIVIDENDS TO SHAREHOLDERS	-	-
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	-	-
2.4	DIVIDENDS TO PERSONNEL ^(**)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS	-	-
III.	EARNINGS PER SHARE	-	-
3.1	TO OWNERS OF ORDINARY SHARES (Per 100 shares)	1.0812	0.7720
3.2	TO OWNERS OF ORDINARY SHARES (%)	108.12	77.20
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	TO OWNERS OF ORDINARY SHARES (Per 100 shares)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

^(*) As of the report date, distributable net profit of the period is not shown as any decision regarding the 2016 profit distribution is not taken.

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

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

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards “TAS” and Turkish Financial Reporting Standards (“TFRS”) and related appendices (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” and amendments to this Communiqué.

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

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

The amendments to TAS and TFRS, effective from January 1, 2016, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments to TAS and TFRS, except for TFRS 9 Financial Instruments (Version 2014), which have been published but not came into force as of financial statement date, will have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Strategy for the use of financial instruments

Core operations of the Bank, are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking in accordance with the requirements of its economic development while utilizing foundation resources. As a result of the nature of its operations, the Bank intensively utilizes financial instruments. The Bank accepts deposits consisting various maturities as the main source of funding with deposits being in high return as well as carefully utilizing them in high quality financial activities.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016**

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

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Information on foreign currency transactions

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

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

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

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ACCOUNTING POLICIES (Continued)

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

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

As of December 31, 2016, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank’s risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

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ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

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

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES (Continued)

Available-for-sale financial assets

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

Held to maturity investments

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

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

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

Loans and receivables

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

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

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no. 26333 dated November 1, 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 September 30, 2015 accounting period.

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

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ACCOUNTING POLICIES (Continued)

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

Tangible assets acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on “Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables” published in the Official Gazette numbered 26333 and dated November 1, 2006 and these assets are subject to revaluation by no means.

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

The Bank has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 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 December 31, 2004 are considered as their historical costs. Tangible assets purchased after January 1, 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The Bank decided to pursue the properties for use according to their fair values in terms of separating the land and buildings within the context of TAS 16 “Turkish Accounting Standard on Property, Plant and Equipment” after the change in the accounting policy as of September 30, 2015.

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS (Continued)

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

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

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

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

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

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

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

Operational leases

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

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2016 is TL 4,297 (full TL) (December 31, 2015: TL 3,828 (full TL)).

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

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

	Current Period	Prior Period
Discount Rate	11.10%	10.20%
Estimated Inflation Rate	7.80%	7.10%
Increase in Real Wage Rate	8.80%	8.10%

Other benefits to employees

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

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

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ACCOUNTING POLICIES (Continued)

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

Pension fund

The employees of the Bank are the members of “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) established on May 15, 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.20, monthly income or salary is eligible for whose disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the November 1, 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s March 22, 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on December 15, 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 April 17, 2008. The Law is enacted by the approval of the President of Turkey and issued on the May 8, 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 January 1, 2008. The three year period has expired on May 8, 2011; however, it has been extended to May 8, 2013 with the decision of Council of Ministers published in Official Gazette dated April 9, 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated May 3, 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 April 30, 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 April 23, 2015 numbered 29335.

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

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report dated December 31, 2016 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2016.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION

Corporate tax

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

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

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

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

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

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

Corporation tax legislation for the foreign branches

Bahrain (Manama)

Bahrain branch is non taxable because there is no corporate tax practice in that country. Bahrain branch’ income is added to headquarters income and it is taxed in Turkey according to Law No. 5520 on Corporate Tax Laws published in the Official Gazette dated June 5, 2012, numbered B.07.1.GİB.4.99.16.02-KVK-5/1-b-128.

North Iraq (Erbil)

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

USA (New York)

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

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

Banking and Insurance Transaction Tax

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

Deferred taxes

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

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

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

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

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

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

Transfer Pricing

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

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

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank’s outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as “Share Premiums” in shareholders’ equity. TL 448,429 of this amount has been utilized in capital increase on December 19, 2006.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at December 31, 2016 and December 31, 2015, the Bank does not have any government incentives.

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

Segment reporting was selected as a fundamental section reporting method considering Bank’s risk and return structure and key sources. It is disclosed in Section 4 Note X.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the year ended December 31, 2016, earnings per 100 shares are full TL 1.0812 (December 31, 2015: full TL 0.7720).

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 VII.

Classifications

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to “Regulation on Bank's Capital Adequacy Assessment of the Measurement“, “Communique on Credit Risk Mitigation“, “BRSA Regulation on Bank’s Shareholder Equity“, “Regulations on Systemically Important Banks“, “Regulation on Capital Conservation and Cyclical Capital Buffer“. As of December 31, 2016 Bank’s capital adequacy ratio is 14.16% (December 31, 2015: 14.52%).

	Current Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	11,762,447	
Income recognized under equity in accordance with TAS	1,771,737	
Profit	2,703,042	
Current Period’s Profit	2,703,042	
Prior Period’s Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	69,222	
Common Equity Tier 1 Capital Before Deductions	19,530,366	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	291,655	-
Leasehold Improvements on Operational Leases	158,292	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	116,320	193,866
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	566,267	
Common Equity Tier 1 capital (CET1)	18,964,099	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank’s borrowing instruments and related issuance premium	-	

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Current Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital	-	-
Bank's direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	77,546	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	18,886,553	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	2,729,287	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	977,288	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,905,134	-
Tier 2 Capital Before Deductions	4,634,421	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	4,634,421	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	23,520,974	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	112,142	-
Other items to be defined by the BRSA (-)	1,166	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	23,407,666	-
Total Risk Weighted Amounts	165,312,386	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	11.47	-
Tier 1 Capital Adequacy Ratio (%)	11.42	-
Capital Adequacy Ratio (%)	14.16	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Current Period December 31, 2016	Amount as per the regulation before 1/1/2014(*)
BUFFERS		
Total buffer requirement	0.627	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.002	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.97	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,167,443	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,905,134	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

Summary information related to capital adequacy ratio

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

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

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I. INFORMATION ON EQUITY ITEMS (Continued)

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

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I. INFORMATION ON EQUITY ITEMS (Continued)

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Information on instruments to be included in 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-31.1 BRSA regulation on bank’s shareholder equity
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	XS0849728190/ US90015NAB91 is subject to deduction. XS1175854923/ US90015WAC73 is not subject to deduction.
Eligible at solo/group/group&solo	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	2,729
Par value of instrument (in million)	4,921
Accounting classification	347011 - Subordinated Liabilities
Original date of issuance	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 2015
Perpetual or dated	XS0849728190/ US90015NAB91 Dated (10 years) Maturity Date: November 1, 2022 XS1175854923/ US90015WAC73 Dated (10 years) Maturity Date: February 3, 2025
Issue date	XS0849728190/ US90015NAB91 November 1, 2012 XS1175854923/ US90015WAC73 February 2, 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 February 3, 2020 is available.
Subsequent call dates, if applicable	XS0849728190/ US90015NAB91 Not available XS1175854923/ US90015WAC73 only one call option is available.
Coupons / dividends*	
Fixed or floating dividend/coupon	Fixed/Interest payment once in six month, principal payment at the maturity date
Coupon rate and any related index	XS0849728190/ US90015NAB91 6% fixed interest rate XS1175854923/ US90015WAC73 6.875% fixed interest rate
Existence of a dividend stopper	Nil
Fully discretionary, partially discretionary or mandatory	Nil
Existence of step up or other incentive to redeem	Nil
Noncumulative or cumulative	Noncumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	Nil
If convertible, fully or partially	Nil
If convertible, conversion rate	Nil
If convertible, mandatory or optional conversion	Nil
If convertible, specify instrument type convertible into	Nil
If convertible, specify issuer of instrument it converts into	Nil
Write-down feature	
If write-down, write-down trigger(s)	XS0849728190/ US90015NAB91 Not available. XS1175854923/ US90015WAC73 available Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering
If write-down, full or partial	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has full or partial write down feature.
If write-down, permanent or temporary	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has permanent write down feature.
If temporary write-down, description of write-up mechanism	XS0849728190/ US90015NAB91 not available XS1175854923/ US90015WAC73 has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments included in Tier II Capital after deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess Article 7

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	December 31, 2016
Shareholders’ equity	19,238,711
Leasehold improvements on operational leases	(158,292)
Goodwill and intangible assets	(116,320)
General provision (1.25% of the amount that subject to credit risk)	1,905,134
Subordinated debt	2,729,287
Deductions from shareholders’ equity	(190,854)
Capital	23,407,666

II. 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 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.

The Bank 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,

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

- 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 past due 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 Bank 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 Bank provides 20% provision for the Loans and Other Receivables classified in Group Three, by September 30, 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 Bank’s largest 100 cash loan customers compose 27.22% of the total cash loan portfolio (December 31, 2015: 24.60%).

The Bank’s largest 100 non-cash loan customers compose 56.13% of the total non-cash loan portfolio (December 31, 2015: 54.95%).

The Bank’s largest 100 cash loan customers compose 18.78% of total assets of the Bank and the Bank’s largest 100 non-cash loan customers compose 15.50% of total off-balance sheet items (December 31, 2015: 16.53% and 15.46%).

The Bank’s largest 200 cash loan customers compose 33.48% of the total cash loan portfolio (December 31, 2015: 30.24%).

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

The Bank’s largest 200 non-cash loan customers compose 68.50% of the total non-cash loan portfolio (December 31, 2015: 67.04%).

The Bank’s largest 200 cash loan customers compose 23.10% of total assets of the Bank and the Bank’s largest 200 non-cash loan customers compose 18.92% of total off-balance sheet items (December 31, 2015: 20.33% and 18.86%).

The general provision for credit risk amounts to TL 2,167,443 (December 31, 2015: TL 1,957,603).

Risk Classifications:	Current Period Risk Amount^(*)	Average Risk Amount^{(*)(**)}
Claims on sovereigns and Central Banks	57,284,685	61,840,339
Claims on regional governments or local authorities	4,754,398	4,084,408
Claims on administrative bodies and other non-commercial undertakings	1,310,984	1,482,636
Claims on multilateral development banks	5	128
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,606,113	12,947,340
Claims on corporate	69,787,149	64,539,017
Claims included in the regulatory retail portfolios	45,724,723	40,231,116
Claims secured by residential property	43,946,760	39,721,096
Past due loans	1,093,383	972,687
Higher risk categories decided by the Agency	288,697	2,027,588
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	-	5
Stock Investments	2,124,212	1,481,117
Other claims	6,149,265	6,090,464

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

(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2016 period.

Risk Classifications:	Prior Period Risk Amount^(*)	Average Risk Amount^{(*)(**)}
Claims on sovereigns and Central Banks	56,190,457	56,978,857
Claims on regional governments or local authorities	3,701,273	3,248,031
Claims on administrative bodies and other non-commercial undertakings	1,082,396	1,081,897
Claims on multilateral development banks	218	36
Claims on international organizations	-	-
Claims on banks and intermediary institutions	9,413,986	11,402,422
Claims on corporate	58,507,417	57,111,324
Claims included in the regulatory retail portfolios	28,712,395	28,196,225
Claims secured by residential property	39,642,054	36,961,615
Past due loans	806,175	503,524
Higher risk categories decided by the Agency	11,283,082	11,158,293
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	7,481,758	6,208,621

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Current Period	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	Stock Investments	Other receivables	Total
Domestic	54,506,834	4,754,398	1,310,984	5	-	5,814,771	67,946,762	45,723,028	43,898,829	1,093,383	83,109	-	-	-	-	27,610	6,149,265	231,308,978
EU countries	-	-	-	-	-	8,194,793	32	-	-	-	-	-	-	-	-	-	-	8,194,825
OECD countries (*)	-	-	-	-	-	13,085	-	-	-	-	-	-	-	-	-	-	-	13,085
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	2,777,851	-	-	-	-	1,511,754	1,748,377	1,695	47,931	-	-	-	-	-	-	-	-	6,087,608
Other countries	-	-	-	-	-	71,710	91,978	-	-	-	205,588	-	-	-	-	-	-	369,276
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,096,602	-	2,096,602
Undistributed Assets/ Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	57,284,685	4,754,398	1,310,984	5	-	15,606,113	69,787,149	45,724,723	43,946,760	1,093,383	288,697	-	-	-	-	2,124,212	6,149,265	248,070,374

(*) OECD countries except from EU countries, USA, 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Prior Period	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	Stock Investments	Other receivables	Total
Domestic	52,485,415	3,693,576	1,082,396	2	-	2,264,806	56,874,497	28,675,380	39,615,204	806,175	11,165,364	-	-	-	-	-	5,607,149	202,269,964
EU countries	-	-	-	216	-	6,063,150	-	-	-	-	-	-	-	-	-	-	-	6,063,366
OECD countries (*)	-	-	-	-	-	1,133	-	-	-	-	-	-	-	-	-	-	-	1,133
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	3,627,192	7,697	-	-	-	951,702	1,501,050	37,015	26,850	-	-	-	-	-	-	-	-	6,151,506
Other countries	77,850	-	-	-	-	133,195	131,870	-	-	-	117,718	-	-	-	-	-	-	460,633
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,874,609	1,874,609
Undistributed Assets/ Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	56,190,457	3,701,273	1,082,396	218	-	9,413,986	58,507,417	28,712,395	39,642,054	806,175	11,283,082	-	-	-	-	-	7,481,758	216,821,211

(*) OECD countries except from EU countries, USA, 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. 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	17	TL	FC	Total
Agricultural	2,235	54	207,563	-	-	-	1,140,397	628,586	667,275	-	-	-	-	-	-	-	-	1,874,122	771,988	2,646,110
<i>Farming and raising livestock</i>	1,762	54	207,563	-	-	-	839,819	570,802	628,684	-	-	-	-	-	-	-	-	1,745,073	503,611	2,248,684
<i>Forestry</i>	471	-	-	-	-	-	258,641	29,458	19,454	-	-	-	-	-	-	-	-	80,550	227,474	308,024
<i>Fishing</i>	2	-	-	-	-	-	41,937	28,326	19,137	-	-	-	-	-	-	-	-	48,499	40,903	89,402
Manufacturing	5,917	570	171,838	-	-	-	30,027,301	4,011,585	5,229,920	-	-	-	-	-	-	-	-	13,824,770	25,622,361	39,447,131
<i>Mining</i>	707	-	6,712	-	-	-	1,335,027	156,918	211,494	-	-	-	-	-	-	-	-	487,832	1,223,026	1,710,858
<i>Production</i>	5,210	23	49,004	-	-	-	19,839,469	3,721,968	4,890,928	-	-	-	-	-	-	-	-	11,425,080	17,081,522	28,506,602
<i>Electric, Gas, Water</i>	-	547	116,122	-	-	-	8,852,805	132,699	127,498	-	-	-	-	-	-	-	-	1,911,858	7,317,813	9,229,671
Construction	434	105	73,780	-	-	-	10,284,903	2,626,315	5,891,522	-	-	-	-	-	-	-	-	10,986,335	7,890,724	18,877,059
Services	34,861,036	4,624,122	700,689	-	-	15,605,640	22,800,714	12,764,923	15,372,178	-	205,588	-	-	-	-	27,610	-	64,892,821	42,069,679	106,962,500
<i>Wholesale and retail trade</i>	184,370	583	43	-	-	-	8,480,102	7,441,861	8,473,191	-	-	-	-	-	-	-	-	18,799,413	5,780,737	24,580,150
<i>Hotel, Food and Beverage Services</i>	2,282	17	64	-	-	-	2,364,966	498,907	3,130,880	-	-	-	-	-	-	-	-	1,372,446	4,624,670	5,997,116
<i>Transportation and Telecommunication</i>	283	7,555	365,545	-	-	-	7,648,521	4,174,378	1,476,312	-	-	-	-	-	-	-	-	6,056,650	7,615,944	13,672,594
<i>Financial Institutions</i>	34,446,465	7	1,010	-	-	15,605,640	3,098,274	50,347	1,086,383	-	205,588	-	-	-	-	27,610	-	31,936,658	22,584,666	54,521,324
<i>Real Estate and renting services</i>	-	-	4	-	-	-	275,182	133,166	489,797	-	-	-	-	-	-	-	-	398,126	500,023	898,149
<i>Self-employment services</i>	480	1,254	16,839	-	-	-	424	68	-	-	-	-	-	-	-	-	-	19,065	-	19,065
<i>Education services</i>	51,275	32	1,026	-	-	-	365,576	100,796	292,437	-	-	-	-	-	-	-	-	774,076	37,066	811,142
<i>Health and social services</i>	175,881	4,614,674	316,158	-	-	-	567,669	365,400	423,178	-	-	-	-	-	-	-	-	5,536,387	926,573	6,462,960
Other	22,415,063	129,547	157,114	5	-	473	5,533,834	25,693,314	16,785,865	1,093,383	83,109	-	-	-	-	2,096,602	6,149,265	55,493,437	24,644,137	80,137,574
Total	57,284,685	4,754,398	1,310,984	5	-	15,606,113	69,787,149	45,724,723	43,946,760	1,093,383	288,697	-	-	-	-	2,124,212	6,149,265	147,071,485	100,998,889	248,070,374

(*) 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- Stock Investments
- 17- Other receivables

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agricultural	2,415	105	26,352	-	-	-	1,034,594	439,998	705,330	-	59,685	-	-	-	-	-	1,745,859	522,620	2,268,479
<i>Farming and raising</i>																			
<i>livestock</i>	2,018	105	26,352	-	-	-	716,272	395,678	647,325	-	59,637	-	-	-	-	-	1,610,229	237,158	1,847,387
<i>Forestry</i>	394	-	-	-	-	-	281,846	22,702	32,854	-	39	-	-	-	-	-	81,642	256,193	337,835
<i>Fishing</i>	3	-	-	-	-	-	36,476	21,618	25,151	-	9	-	-	-	-	-	53,988	29,269	83,257
Manufacturing	1,045	740	193,617	-	-	-	24,949,102	2,623,726	5,560,093	-	6,130	-	-	-	-	-	12,342,475	20,991,978	33,334,453
<i>Mining</i>	-	-	3,673	-	-	-	1,129,091	91,198	196,693	-	216	-	-	-	-	-	446,410	974,461	1,420,871
<i>Production</i>	980	30	97,208	-	-	-	16,760,236	2,487,187	5,194,456	-	5,794	-	-	-	-	-	10,474,961	14,070,930	24,545,891
<i>Electric, Gas, Water</i>	65	710	92,736	-	-	-	7,059,775	45,341	168,944	-	120	-	-	-	-	-	1,421,104	5,946,587	7,367,691
Construction	38	226	354	-	-	-	8,221,628	1,509,264	5,041,111	-	3,381	-	-	-	-	-	8,643,345	6,132,657	14,776,002
Services	36,310,619	3,634,970	634,288	216	-	9,413,986	18,404,525	9,966,610	13,806,939	-	147,885	-	-	-	-	79,253	59,036,822	33,362,469	92,399,291
<i>Wholesale and retail trade</i>	4,975	3,765	98,715	-	-	-	6,943,554	5,617,739	8,146,349	-	18,612	-	-	-	-	-	15,999,111	4,834,598	20,833,709
<i>Hotel, Food and Beverage Services</i>	14	1,026	622	-	-	-	1,761,395	295,384	2,560,578	-	2,137	-	-	-	-	-	1,206,465	3,414,691	4,621,156
<i>Transportation and Telecommunication</i>	54	8,501	34,502	-	-	-	5,754,094	3,646,731	1,758,500	-	6,977	-	-	-	-	-	5,983,473	5,225,886	11,209,359
<i>Financial Institutions</i>	36,137,086	11	100,192	216	-	-	9,413,986	2,850,082	35,139	-	117,937	-	-	-	-	79,253	30,545,128	18,653,902	49,199,030
<i>Real Estate and renting services</i>	-	-	4	-	-	-	303,987	86,614	183,413	-	449	-	-	-	-	-	392,409	182,058	574,467
<i>Self-employment services</i>	159	724	2,444	-	-	-	288	-	-	-	-	-	-	-	-	-	3,615	-	3,615
<i>Education services</i>	4,995	48	8,889	-	-	-	127,201	67,764	272,888	-	258	-	-	-	-	-	430,342	51,701	482,043
<i>Health and social services</i>	163,336	3,620,895	388,920	-	-	-	663,924	217,239	420,083	-	1,515	-	-	-	-	-	4,476,279	999,633	5,475,912
Other	19,876,340	65,232	227,785	2	-	-	5,897,568	14,172,797	14,528,581	806,175	11,066,001	-	-	-	-	7,402,505	50,478,546	23,564,440	74,042,986
Total	56,190,457	3,701,273	1,082,396	218	-	9,413,986	58,507,417	28,712,395	39,642,054	806,175	11,283,082	-	-	-	-	7,481,758	132,247,047	84,574,164	216,821,211

(*) 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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Distribution of maturity risk factors according to their outstanding maturities (*)

Risk Classifications-Current Period	According to their outstanding maturities				
	1 month	1-3 months	3-6 months	6-12 months	over 1 year
Claims on sovereigns and Central Banks	5,152,323	225,795	409,148	1,583,377	49,914,042
Claims on regional governments or local authorities	1,782	21,645	28,086	388,267	4,314,618
Claims on administrative bodies and other non-commercial undertakings	42,633	278,512	9,991	64,845	915,003
Claims on multilateral development banks	-	-	-	-	5
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	5,786,026	1,671,798	269,398	481,624	7,397,267
Claims on corporate	2,015,469	3,296,230	5,939,490	9,868,195	48,667,765
Claims included in the regulatory retail portfolios	716,137	1,483,217	2,596,991	6,293,038	34,635,340
Claims secured by residential property	672,308	1,262,277	2,192,724	5,051,029	34,768,422
Past due loans	-	-	-	-	1,093,383
Higher risk categories decided by the Agency	-	300	-	-	288,397
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	-	-	-	-	-
Stock Investments	-	-	-	-	2,124,212
Other claims	-	-	-	-	6,149,265
Total	14,386,678	8,239,774	11,445,828	23,730,375	190,267,719

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

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II. CREDIT RISK (Continued)

Distribution of maturity risk factors according to their outstanding maturities (*)

Risk Classifications-Prior Period	According to their outstanding maturities				
	1 month	1-3 months	3-6 months	6-12 months	over 1 year
Claims on sovereigns and Central Banks	7,538,323	151,346	399,825	1,811,782	46,289,181
Claims on regional governments or local authorities	9,103	15,418	85,821	145,517	3,445,414
Claims on administrative bodies and other non-commercial undertakings	32,724	38,442	89,225	21,979	900,026
Claims on multilateral development banks	-	-	-	216	2
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	4,886,750	826,432	548,154	71,677	3,080,973
Claims on corporate	2,736,080	3,853,483	5,294,896	8,925,453	37,697,505
Claims included in the regulatory retail portfolios	472,970	1,069,498	1,896,582	4,251,740	21,021,605
Claims secured by residential property	729,855	1,249,282	2,168,805	4,718,668	30,775,444
Past due loans	-	-	-	-	806,175
Higher risk categories decided by the Agency	-	-	-	14,009	11,269,073
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	-	-	-	-	7,481,758
Total	16,405,805	7,203,901	10,483,308	19,961,041	162,767,156

(*) 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%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	32,055,602	-	9,195,120	21,214,639	55,183,682	45,724,723	84,407,911	205,588	-	83,109	-	465,466
Amount after Credit Risk Mitigation	39,236,688	-	3,636,014	21,214,639	57,187,435	45,433,669	81,073,232	205,588	-	83,109	-	465,466
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	51,653,484	-	9,995,432	44,482,520	27,755,671	71,651,022	3,666,757	7,571,232	45,093	-	-	413,981
Amount after Credit Risk Mitigation	55,276,308	-	7,773,090	45,591,407	27,561,064	69,352,260	3,660,714	7,561,275	45,093	-	-	413,981

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Credit rating of the credit rating agency, related to the Bank's Capital Adequacy Assessment of the Measurement is listed in Appendix 1 which corresponds to the credit quality step that is given in the table below.

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

Information According to Sectors and Counterparties

Current Period	Loans			
	Impaired (*)	Past Due (**)	Value Adjustments (***)	Provisions
Agricultural	116,924	56,562	1,580	99,522
<i>Farming and raising livestock</i>	106,265	51,912	1,424	90,495
<i>Forestry</i>	7,848	3,064	91	6,997
<i>Fishing</i>	2,811	1,586	65	2,030
Manufacturing	1,112,305	572,232	15,267	983,726
<i>Mining</i>	41,038	69,885	1,436	36,879
<i>Production</i>	1,060,170	490,172	13,644	937,638
<i>Electric, Gas, Water</i>	11,097	12,175	187	9,209
Construction	599,481	235,419	8,541	526,093
Services	1,739,620	2,237,522	49,129	1,452,901
<i>Wholesale and retail trade</i>	1,229,957	607,124	18,008	1,014,712
<i>Hotel, Food and Beverage Services</i>	81,173	97,034	2,808	62,466
<i>Transportation and telecommunication</i>	229,301	1,228,172	20,804	195,486
<i>Financial Institutions</i>	5,635	1,950	58	4,791
<i>Real estate and renting services</i>	9,400	32,707	1,104	7,794
<i>Self-employment services</i>	112,056	183,281	3,788	103,965
<i>Education services</i>	16,788	20,255	721	13,270
<i>Health and social services</i>	55,310	66,999	1,838	50,417
Other	2,845,173	3,215,435	232,451	2,257,878
Total	6,413,503	6,317,170	306,968	5,320,120

(*) 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Prior Period	Loans			Provisions
	Impaired (*)	Past Due (**)	Value Adjustments (***)	
Agricultural	87,877	63,490	1,082	80,444
<i>Farming and raising livestock</i>	77,331	57,860	995	70,949
<i>Forestry</i>	8,408	3,188	75	7,669
<i>Fishing</i>	2,138	2,442	12	1,826
Manufacturing	948,135	263,507	6,344	831,505
<i>Mining</i>	100,016	7,731	63	63,998
<i>Production</i>	842,374	250,811	6,197	762,493
<i>Electric, Gas, Water</i>	5,745	4,965	84	5,014
Construction	527,749	214,734	4,877	460,814
Services	1,477,456	1,344,869	26,214	1,259,443
<i>Wholesale and retail trade</i>	958,068	596,895	12,883	810,598
<i>Hotel, Food and Beverage</i>				
<i>Services</i>	53,562	82,970	1,283	39,021
<i>Transportation and telecommunication</i>	303,162	448,813	8,132	265,365
<i>Financial Institutions</i>	4,482	4,873	89	4,315
<i>Real estate and renting services</i>	11,426	21,350	311	9,007
<i>Self-employment services</i>	117,833	145,031	2,792	104,951
<i>Education services</i>	6,353	17,877	333	5,782
<i>Health and social services</i>	22,570	27,060	391	20,404
Other	1,808,996	2,797,820	74,248	1,411,832
Total	4,850,213	4,684,420	112,765	4,044,038

(*) 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.

Information on Changes in Value Adjustments and Credit Provisions

Current Period	The opening Balance	Provisions amounts set aside during the period	The cancellation of the provisions	Other Adjustments (*)	Closing Balance
Specific Provisions	4,044,038	1,935,699	(665,884)	6,267	5,320,120
General Provisions	1,957,603	213,855	-	(4,015)	2,167,443

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

Current Period	The opening Balance	Provisions amounts set aside during the period	The cancellation of the provisions	Other Adjustments (*)	Closing Balance
Specific Provisions	3,734,297	1,030,299	(720,558)	-	4,044,038
General Provisions	1,603,242	354,951	-	(590)	1,957,603

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

Fair value of collateral held against impaired loans

	December 31, 2016	December 31, 2015
Cash collateral (*)	-	-
Mortgage	2,484,686	1,739,554
Promissory note (*)	-	-
Others (**)	3,928,817	3,110,659
Total	6,413,503	4,850,213

(*) 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 raw 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 Bank

Cash loans	December 31, 2016	December 31, 2015
Secured Loans:	113,223,472	94,156,701
Secured by mortgages	43,001,264	38,328,569
Secured by cash collateral	974,445	833,255
Guarantees issued by financial institutions	357,875	505,509
Secured by government institutions or government securities	2,420,844	1,459,632
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	66,469,044	53,029,736
Unsecured Loans	33,395,520	28,817,777
Total performing loans	146,618,992	122,974,478

Non-cash loans	December 31, 2016	December 31, 2015
Secured Loans:	16,831,079	14,299,777
Secured by mortgages	2,105,139	2,983,589
Secured by cash collateral	126,564	243,589
Guarantees issued by financial institutions	240,422	229,287
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	14,358,954	10,843,312
Unsecured Loans	23,617,345	18,768,584
Total non-cash loans	40,448,424	33,068,361

Exposures subject to countercyclical capital buffer

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	131,496,703	221,843	131,718,546
United States	2,133,393	1	2,133,394
England	918,231	94,879	1,013,110
France	630,245	4,993	635,238
Iraq	400,361	-	400,361
Switzerland	245,149	153	245,303
Netherlands	94,423	-	94,423
Germany	34,316	273	34,588
Austria	21,172	-	21,172
Albania	15,201	-	15,201
Other	2,709,410	-	2,709,410
Total	138,698,604	322,142	139,020,746

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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III. FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Bank exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Bank for the positions being monitored on a daily basis

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of the Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the currency risk. The net long and short positions are calculated in Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation and the capital obligation is calculated at that amount.

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

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

Foreign exchange risk management policy

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

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

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

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	3.5150	3.7048
Foreign currency purchase rates for the days before balance sheet date:		
Day 1	3.4800	3.6387
Day 2	3.4600	3.6233
Day 3	3.4500	3.6011
Day 4	3.4600	3.6199
Day 5	3.4500	3.6039
	US Dollar	Euro
Last 30-days arithmetical average rate	3.4158	3.6065

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period	Euro	US Dollar	Other FC	Total
Assets:				
Cash and balances with the Central Bank of The Republic of Turkey	4,696,269	10,784,980	4,474,918	19,956,167
Banks	357,116	3,343,376	152,260	3,852,752
Financial assets at fair value through profit or loss ⁽¹⁾	115	112,463	-	112,578
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	873,342	4,356,786	-	5,230,128
Loans and receivables ⁽²⁾	19,460,247	32,531,882	92,309	52,084,438
Associates, subsidiaries and joint-ventures	434,112	-	-	434,112
Held-to-maturity investments	-	140,621	-	140,621
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	7,926	-	7,926
Intangible assets	-	-	-	-
Other assets ⁽³⁾	533,761	1,654,090	17	2,187,868
Total assets	26,354,962	52,932,124	4,719,504	84,006,590
Liabilities:				
Bank deposits	243,147	3,234,993	151,579	3,629,719
Foreign currency deposits	13,227,353	19,626,543	1,241,561	34,095,457
Interbank money market takings	-	1,722,864	-	1,722,864
Other funding	8,608,302	14,911,398	2,172	23,521,872
Securities issued	3,830,141	7,609,009	-	11,439,150
Miscellaneous payables	649,916	90,923	40,838	781,677
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ^{(1) (4)}	115,162	6,932,715	355	7,048,232
Total liabilities	26,674,021	54,128,445	1,436,505	82,238,971
Net ‘on balance sheet’ position	(319,059)	(1,196,321)	3,282,999	1,767,619
Net ‘off-balance sheet’ position	343,259	3,068,001	(3,282,690)	128,570
Derivative assets ⁽⁶⁾	3,404,136	21,698,055	290,944	25,393,135
Derivative liabilities ⁽⁶⁾	3,060,877	18,630,054	3,573,634	25,264,565
Non-cash loans ⁽⁵⁾	4,075,023	9,339,767	290,178	13,704,968
Prior Period	Euro	US Dollar	Other FC	Total
Total assets	16,729,564	48,320,696	4,455,279	69,505,539
Total liabilities	21,515,163	46,753,502	865,489	69,134,154
Net ‘on balance sheet’ position	(4,785,599)	1,567,194	3,589,790	371,385
Net ‘off-balance sheet’ position	5,449,875	(441,420)	(3,577,895)	1,430,560
Derivative assets ⁽⁶⁾	7,542,857	12,701,193	2,036,853	22,280,903
Derivative liabilities ⁽⁶⁾	2,092,982	13,142,613	5,614,748	20,850,343
Non-cash loans ⁽⁵⁾	3,006,375	7,731,618	246,531	10,984,524

⁽¹⁾ Derivative financial assets amounting to TL 20,534 (December 31, 2015: TL (51,275)) and liabilities amounting to TL 33,606 (December 31, 2015: TL (12,881)) resulting from changes in foreign exchange rates are not included.

⁽²⁾ Foreign currency indexed loans amounting to TL 4,493,820 (December 31, 2015: TL 3,530,360) which are presented in TL column in the balance sheet are included in the table above.

⁽³⁾ Prepaid expenses amounting to TL 76,295 (December 31, 2015: TL 61,724) is not included.

⁽⁴⁾ Unearned revenues amounting to TL 158,497 (December 31, 2015: TL 106,455) and equities amounting to TL 202,857 (December 31, 2015: TL 431,137) are not included.

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

⁽⁶⁾ Asset purchase commitments amounting to TL 918,356 (December 31, 2015: TL 1,835,888) and asset sales commitments amounting to TL 583,699 (December 31, 2015: TL 1,895,065) are included.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. 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 December 31, 2016 and 2015 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

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

	December 31, 2016		December 31, 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	186,375	186,375	112,148	112,148
Euro	(40,991)	(40,991)	23,013	23,013
Other currencies	31	31	1,190	1,190
Total, net(**)	145,415	145,415	136,351	136,351

(*) 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 December 31, 2016 and 2015 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	December 31, 2016		December 31, 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(186,375)	(186,375)	(110,822)	(110,822)
Euro	40,991	40,991	(23,013)	(23,013)
Other currencies	(31)	(31)	(1,064)	(1,064)
Total, net(**)	(145,415)	(145,415)	(134,899)	(134,899)

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

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

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IV. INTEREST RATE RISK

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

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	13,369,291	-	-	-	-	10,996,006	24,365,297
Banks	2,753,824	307,863	22,306	-	-	806,329	3,890,322
Financial assets at fair value through profit/loss	531,009	601,147	22,021	372,093	84,709	201	1,611,180
Interbank money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2,895,405	2,103,852	4,371,742	5,781,463	2,638,985	27,610	17,819,057
Loans and receivables	47,139,973	34,356,861	33,175,198	21,061,924	10,885,036	1,093,383	147,712,375
Held-to-maturity investments	674,843	1,937,819	4,047,247	1,287,620	233,006	-	8,180,535
Other assets (*)	9,528	1,648	9,541	1,029	-	8,939,393	8,961,139
Total assets	67,373,873	39,309,190	41,648,055	28,504,129	13,841,736	21,862,922	212,539,905
<i>Liabilities:</i>							
Bank deposits	4,344,954	455,862	94,424	-	-	236,382	5,131,622
Other deposits	66,462,963	20,624,829	7,383,419	37,889	-	24,197,655	118,706,755
Interbank money market takings	11,349,237	1,031,916	-	449,439	64,742	-	12,895,334
Miscellaneous payables	-	-	-	-	-	5,162,994	5,162,994
Securities issued	538,113	1,528,432	3,599,819	9,041,381	-	-	14,707,745
Funds borrowed	3,933,704	8,899,174	8,633,401	1,102,037	1,625,454	-	24,193,770
Other liabilities (**)	518,727	184,455	263,038	1,439,164	3,772,851	25,563,450	31,741,685
Total liabilities	87,147,698	32,724,668	19,974,101	12,069,910	5,463,047	55,160,481	212,539,905
On balance sheet long position	-	6,584,522	21,673,954	16,434,219	8,378,689	-	53,071,384
On balance sheet short position	(19,773,825)	-	-	-	-	(33,297,559)	(53,071,384)
Off-balance sheet long position	2,073,148	3,048,601	-	-	-	-	5,121,749
Off-balance sheet short position	-	-	(522,353)	(3,391,353)	(210,900)	-	(4,124,606)
Net Position	(17,700,677)	9,633,123	21,151,601	13,042,866	8,167,789	(33,297,559)	997,143

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. INTEREST RATE RISK (Continued)

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

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

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

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

Current Period	Euro %	US Dollar %	Yen %	TL %
Assets:				
Cash and balance with CBRT	-	0.75	-	3.31
Banks	-	1.01	-	10.87
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Available-for-sale financial assets	5.23	6.58	-	9.49
Loans and receivables	4.28	4.99	-	12.34
Held-to-maturity investments	-	2.68	-	9.65
Liabilities:				
Bank deposits	0.21	1.18	-	10.87
Other deposits	1.38	2.84	-	9.17
Interbank money market takings	-	1.75	-	8.26
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.88	-	9.53
Funds borrowed	0.96	2.48	-	10.22

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. INTEREST RATE RISK (Continued)

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

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

V. STOCK POSITION RISKS

Stock position risks arising from banking book items

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

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

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

Current Period	Comparison			
	Stock Investments	Carrying Value	Fair Value ^(*)	Market Value ^(*)
Stocks quoted in exchange^(*)	652,998	652,998	652,998	652,998
1.Stocks Investments Group A	652,998	652,998	652,998	652,998
2.Stock Investments Group B	-	-	-	-
3.Stock Investment Group C	-	-	-	-
Stocks unquoted in exchange^(**)	1,471,214	1,386,964	-	-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. STOCK POSITION RISKS (Continued)

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

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

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

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

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

Portfolio-Current Period	Realized	Revaluation Surplus		Unrealized Gain and Loss	
	Gain/Loss in Current Period	Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	85,226	85,226
3. Other Stocks	-	828,877	828,877	-	-
4. Total	-	828,877	828,877	85,226	85,226

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. STOCK POSITION RISKS (Continued)

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	652,998	652,998	52,240
3.Other Stocks	1,471,214	1,471,214	117,697
4. Total	2,124,212	2,124,212	169,937

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

VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

Liquidity risk is defined as the risk of not fulfilling payment liabilities on time as a result of not having adequate cash or cash inflow to meet the cash outflow properly due to imbalance in cash flows of the bank. The framework of liquidity risk of the bank is specified with Liquidity Risk Management Document. In the framework of liquidity risk management, policies regarding liquidity risk management are written down by Risk Management Department and fundamental principles, analyses regarding measurement and monitoring risk, basic rudiments on early warning indicators, liquidity buffer and limits are included.

The Bank is managing liquidity risk according to risk capacity and the Bank’s risk appetite in the range envisioned by the regulations. Liquidity risk management approach is in general based on the principle of monitoring in-day liquidity risk. The Bank monitors the net liquidity position and liquidity requirements continuously and facing the future. The Bank takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Bank (in consideration of market and funding liquidity) scenario and susceptibility analyses are performed and assumptions based on these analyses are reviewed regularly. It is aimed to protect the optimum liquidity level that can meet short – term liquidity needs not to remain inactive and maintain profitability – risk balance.

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

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

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

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VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

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

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	09.12.2016	96.82	30.12.2016	116.89
The highest value	21.10.2016	108.44	04.11.2016	174.19

Liquidity Coverage Ratio

Current Period		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			30,911,865	17,187,025
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	56,094,081	18,064,063	4,674,027	1,806,406
3	Stable deposits	18,707,617	-	935,381	-
4	Less stable deposits	37,386,464	18,064,063	3,738,646	1,806,406
5	Unsecured wholesale funding, of which:	62,416,947	15,846,190	24,240,183	7,659,013
6	Operational deposits	42,745,940	8,687,042	10,686,485	2,171,760
7	Non-operational deposits	10,454,745	5,701,889	6,886,996	4,064,477
8	Unsecured debt	9,216,262	1,457,259	6,666,702	1,422,776
9	Secured wholesale funding			-	-
10	Additional requirements of which:	11,436,793	10,467,385	11,436,793	10,467,385
11	Outflows related to derivative exposures and other collateral requirements	11,436,793	10,467,385	11,436,793	10,467,385
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	16,068,573	15,621,541	803,429	781,077
15	Other contingent funding obligations	44,619,198	11,874,367	6,579,804	1,116,914
16	TOTAL CASH OUTFLOWS			47,734,236	21,830,795
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	11,938,083	5,431,272	8,394,971	4,704,964
19	Other cash inflows	9,183,453	4,946,269	9,183,453	4,946,269
20	TOTAL CASH INFLOWS	21,121,536	10,377,541	17,578,424	9,651,233
				Upper Limit Applied Values	
21	TOTAL HQLA			30,911,865	17,187,025
22	TOTAL NET CASH OUTFLOWS			30,155,812	12,179,562
23	LIQUIDITY COVERAGE RATIO (%)			102.69	143.21

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

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VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed^(*)	Total
Assets:								
Cash and balance with CBRT	24,365,297	-	-	-	-	-	-	24,365,297
Banks	3,488,671	71,482	307,863	22,306	-	-	-	3,890,322
Financial assets at fair value through profit/loss	201	34,292	12,143	401,338	1,070,493	92,713	-	1,611,180
Interbank money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	677,535	215,072	1,846,497	8,831,274	6,221,069	27,610	17,819,057
Loans and receivables	-	12,575,901	5,268,530	30,613,044	62,734,890	35,426,627	1,093,383	147,712,375
Held-to-maturity investments	-	674,843	52,727	-	3,733,430	3,719,535	-	8,180,535
Other assets	2,209	1,148,212	1,648	9,541	84,138	-	7,715,391	8,961,139
Total assets	27,856,378	15,182,265	5,857,983	32,892,726	76,454,225	45,459,944	8,836,384	212,539,905
Liabilities:								
Bank deposits	236,382	4,344,954	455,862	94,424	-	-	-	5,131,622
Other deposits	24,197,655	66,462,963	20,624,829	7,383,419	37,889	-	-	118,706,755
Funds borrowed	-	230,110	887,026	10,921,434	6,124,930	6,030,270	-	24,193,770
Interbank money market takings	-	11,349,237	1,031,916	-	449,439	64,742	-	12,895,334
Securities issued	-	538,113	1,528,432	3,235,918	9,405,282	-	-	14,707,745
Miscellaneous payables	-	4,010,273	79,315	-	-	-	1,073,406	5,162,994
Other liabilities	-	1,154,902	235,817	27,241	466,873	5,093,401	24,763,451	31,741,685
Total liabilities	24,434,037	88,090,552	24,843,197	21,662,436	16,484,413	11,188,413	25,836,857	212,539,905
Liquidity gap	3,422,341	(72,908,287)	(18,985,214)	11,230,290	59,969,812	34,271,531	(17,000,473)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	(474,036)	(2,839)	423,666	933,313	652,787	-	1,532,891
Payables from Derivative Financial Instruments	-	8,574,724	4,360,190	2,799,556	12,736,387	5,799,680	-	34,270,537
Non-cash Loans	3,594,694	1,317,799	23,409,999	6,456,303	4,800,854	868,775	-	40,448,424
Total	3,594,694	1,317,799	23,409,999	6,456,303	4,800,854	868,775	-	40,448,424
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed^(*)	Total
Total assets	25,422,750	15,036,713	4,496,759	26,883,402	63,886,607	40,286,125	6,934,768	182,947,124
Total liabilities	20,277,960	79,732,057	23,375,688	17,727,452	9,736,178	9,556,749	22,541,040	182,947,124
Liquidity gap	5,144,790	(64,695,344)	(18,878,929)	9,155,950	54,150,429	30,729,376	(15,606,272)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	37,789	(15,679)	79,335	496,019	374,145	-	971,609
Payables from Derivative Financial Instruments	-	10,214,707	3,472,683	1,297,251	5,540,752	4,922,653	-	25,448,046
Non-cash Loans	2,663,320	951,139	19,396,626	5,498,569	4,034,068	524,639	-	33,068,361

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Residual contractual maturities of the financial liabilities

Current Period	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Bank deposits	5,131,622	5,141,393	236,382	4,350,077	459,456	95,478	-	-
Other deposits	118,706,755	119,246,907	24,197,655	66,625,143	20,826,563	7,558,475	39,071	-
Funds borrowed	24,193,770	26,893,798	-	230,644	891,367	11,094,371	7,131,178	7,546,238
Money market takings	12,895,334	13,025,681	-	11,353,745	1,033,461	-	548,086	90,389
Issued Securities (Net)	14,707,745	15,921,674	-	540,447	1,550,520	3,309,738	10,520,969	-
Miscellaneous payables	5,162,994	5,162,994	1,073,406	4,010,273	79,315	-	-	-
Other liabilities	8,462,117	10,482,436	1,908,339	878,821	87,442	27,241	466,873	7,113,720
Total	189,260,337	195,874,883	27,415,782	87,989,150	24,928,124	22,085,303	18,706,177	14,750,347
Non-Cash Loans	40,448,424	40,448,424	3,594,694	1,317,799	23,409,999	6,456,303	4,800,854	868,775

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. LEVERAGE RATIO

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

The Bank’s unconsolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualized as 7.13%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2015: 6.81%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

	Current Period^(*)	Prior Period^(*)
On-balance sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs; including collateral)	209,429,643	182,236,355
2 Assets deducted in determining Basel III Tier 1 capital	(312,844)	(568,612)
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	209,116,799	181,667,743
Derivative exposures		
4 Replacement cost	1,388,332	956,386
5 Add-on amount	647,688	365,598
6 Total derivative exposures	2,036,020	1,321,984
Securities financing transaction exposures		
7 Gross SFT assets (with no recognition of accounting netting)	653,843	779,859
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	653,843	779,859
Other off-balance sheet exposures		
10 Off-balance sheet exposures with gross nominal amount	47,738,380	53,969,900
11 Adjustment amount off-balance sheet exposures with credit conversion factor	2,804,179	1,025,968
12 Total off-balance sheet exposures	50,542,559	54,995,868
Capital and total exposures		
13 Tier 1 capital	18,677,993	16,253,544
14 Total exposures	262,349,221	238,765,454
Leverage ratio		
15 Leverage ratio	7.13	6.81

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets:				
Receivables from				
Interbank Money Markets	-	-	-	-
Banks	3,890,322	5,234,266	3,890,322	5,234,266
Available-for-Sale				
Financial Assets	17,819,057	16,773,969	17,819,057	16,773,969
Held-to-Maturity				
Investments	8,180,535	7,677,729	7,992,774	7,496,076
Loans	147,712,375	123,780,653	147,807,948	125,203,508
Financial Liabilities:				
Bank Deposits	5,131,622	5,602,883	5,131,622	5,602,883
Other Deposits	118,706,755	104,319,651	118,363,783	103,957,669
Funds Borrowed	24,193,770	18,555,997	24,986,292	18,837,415
Securities Issued	14,707,745	10,547,759	14,572,326	10,471,257
Subordinated Loans	5,031,213	4,169,474	4,677,751	4,169,474
Miscellaneous Payables	5,162,994	4,160,217	5,162,994	4,160,217

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.

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

TFRS 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 Bank. 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	201	1,610,979	-	1,611,180
Derivative financial assets held for trading purpose	-	1,610,979	-	1,610,979
Investment fund participation certificates	201	-	-	201
Available-for-sale financial assets	15,661,669	2,157,373	15	17,819,057
Debt securities	15,661,669	2,129,778	-	17,791,447
Equity securities	-	27,595	15	27,610
Investments in associates and subsidiaries	652,998	-	1,386,964(*)	2,039,962
Total Financial Assets	16,314,868	3,768,352	1,386,979	21,470,199
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,143,703)	-	(1,143,703)
Total Financial Liabilities	-	(1,143,703)	-	(1,143,703)

(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	-	885,467	-	885,467
Derivative financial assets held for trading purpose	-	885,467	-	885,467
Available-for-sale financial assets	13,800,761	2,893,955	79,238(**)	16,773,954
Debt securities	13,800,761	2,893,955	79,238	16,773,954
Investments in associates and subsidiaries	548,852	-	1,273,616(*)	1,822,468
Total Financial Assets	14,349,613	3,779,422	1,352,854	19,481,889
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(289,589)	-	(289,589)
Total Financial Liabilities	-	(289,589)	-	(289,589)

(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

(**) TL 79,238 which is classified under financial assets available-for-sale and which is in the third level is composed of securities issued share in capital.

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 December 31, 2016 is as follows:

	Level 3 Current Period	Level 3 Prior Period
Balance at the beginning of the year	1,352,854	1,053,475
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	34,125	299,379
Balance at the end of the year	1,386,979	1,352,854

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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

X. SEGMENT REPORTING

The Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, debtors current loans, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, overdraft facilities, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network was built in order to serve customers’ needs effectively and efficiently.

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,959,598	8,079,808	3,513,759	4,461	16,557,626
<i>Interest income from loans</i>	4,959,598	8,079,808	1,172,511	-	14,211,917
<i>Interest income from reserve deposits</i>	-	-	111,798	-	111,798
<i>Interest income from securities portfolio</i>	-	-	2,204,418	-	2,204,418
<i>Interest income from banks</i>	-	-	25,032	-	25,032
<i>Interest income from money market transactions</i>	-	-	-	-	-
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	4,461	4,461
Interest Expense	3,387,868	3,618,235	2,541,301	43,581	9,590,985
<i>Interest expense on deposits</i>	3,387,868	3,605,822	220,219	-	7,213,909
<i>Interest expense on funds borrowed</i>	-	12,413	373,337	-	385,750
<i>Interest expense on money market transactions</i>	-	-	992,840	-	992,840
<i>Interest expense on securities issued</i>	-	-	680,296	-	680,296
<i>Other interest expenses</i>	-	-	274,609	43,581	318,190
Net Interest Income	1,571,730	4,461,573	972,458	(39,120)	6,966,641
Net Fees and Commissions Income	425,547	478,927	76,409	-	980,883
Trading Income/ Losses (Net)	-	-	483,813	-	483,813
Dividend Income	-	-	91,753	-	91,753
Other Income (*)	-	-	-	954,031	954,031
Provision For Losses on Loans and Other Receivables	431,235	1,570,736	30,688	213,855	2,246,514
Other Expenses (**)	-	-	-	3,835,083	3,835,083
Profit Before Taxes	1,566,042	3,369,764	1,593,745	(3,134,027)	3,395,524
Provision for taxes	-	-	-	(692,482)	(692,482)
Net Profit/ Loss	1,566,042	3,369,764	1,593,745	(3,826,509)	2,703,042
SEGMENT ASSETS					
Securities Portfolio	-	-	25,999,793	-	25,999,793
Derivative Financial Assets Held for Trading Purpose	-	-	1,610,979	-	1,610,979
Banks and Receivables From Money Markets	-	-	3,890,322	-	3,890,322
Investments in Associates and Subsidiaries	-	-	2,096,602	-	2,096,602
Loans and Receivables	41,424,553	82,471,067	23,816,755	-	147,712,375
Other Assets	-	-	24,223,603	7,006,231	31,229,834
TOTAL ASSETS	41,424,553	82,471,067	81,638,054	7,006,231	212,539,905
SEGMENT LIABILITIES					
Deposits	54,150,626	64,556,129	5,131,622	-	123,838,377
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,143,703	-	1,143,703
Interbank Money Market Takings	-	-	12,895,334	-	12,895,334
Funds Borrowed	-	662,429	23,531,341	-	24,193,770
Securities Issued	-	-	14,707,745	-	14,707,745
Other Liabilities	-	-	5,774,949	7,098,768	12,873,717
Provisions and Tax Liabilities	-	-	-	3,648,548	3,648,548
Equity	-	-	-	19,238,711	19,238,711
TOTAL LIABILITIES AND EQUITY	54,150,626	65,218,558	63,184,694	29,986,027	212,539,905

(*) TL 665,884 amount of TL 954,031 shown in other income line consists of rejecting reserves from previous periods, TL 164,709 of income from sale of Bank's assets, TL 40,316 from communications income and remaining, TL 923 from leasing income, TL 82,199 of other income.

(**) TL 1,488,861 amount of TL 3,835,083 shown in other expenses line consists of personnel expenses, TL 1,560,004 of other operating expenses, TL 172,096 of depreciation expenses, TL 147,970 of dividend reserves expenses to be given to personnel, TL 138,469 of Savings Deposit Insurance Fund (SDIF) expenses, TL 130,750 of taxes and funds expenses, and the remaining TL 196,933 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,218,690	6,496,941	2,912,897	1,522	13,630,050
<i>Interest income from loans</i>	<i>4,218,690</i>	<i>6,496,941</i>	<i>814,047</i>	-	<i>11,529,678</i>
<i>Interest Income from reserve deposits</i>	-	-	<i>38,684</i>	-	<i>38,684</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,049,544</i>	-	<i>2,049,544</i>
<i>Interest income from banks</i>	-	-	<i>10,622</i>	-	<i>10,622</i>
<i>Interest income from money market transactions</i>	-	-	-	-	-
<i>Finance Lease Income</i>	-	-	-	-	-
<i>Other interest income</i>	-	-	-	<i>1,522</i>	<i>1,522</i>
Interest Expense	2,517,946	3,434,680	2,159,815	31,128	8,143,569
<i>Interest expense on deposits</i>	<i>2,517,946</i>	<i>3,424,053</i>	<i>189,011</i>	-	<i>6,131,010</i>
<i>Interest expense on funds borrowed</i>	-	<i>10,627</i>	<i>250,209</i>	-	<i>260,836</i>
<i>Interest expense on money market transactions</i>	-	-	<i>881,816</i>	-	<i>881,816</i>
<i>Interest expense on securities issued</i>	-	-	<i>596,952</i>	-	<i>596,952</i>
<i>Other interest expenses</i>	-	-	<i>241,827</i>	<i>31,128</i>	<i>272,955</i>
Net Interest Income	1,700,744	3,062,261	753,082	(29,606)	5,486,481
Net Fees and Commissions Income	396,068	431,202	93,814	-	921,084
Trading Income/ Losses (Net)	-	-	99,474	-	99,474
Dividend Income	-	-	62,219	-	62,219
Other Income (*)	-	-	-	1,048,278	1,048,278
Provision For Losses on Loans and Other					
Receivables	738,488	415,514	28,107	354,951	1,537,060
Other Expenses (**)	-	-	-	3,610,183	3,610,183
Profit Before Taxes	1,358,324	3,077,949	980,482	(2,946,462)	2,470,293
Provision for taxes				(540,184)	(540,184)
Net Profit/ Loss	1,358,324	3,077,949	980,482	(3,486,646)	1,930,109
SEGMENT ASSETS					
Securities Portfolio	-	-	24,451,698	-	24,451,698
Derivative Financial Assets Held for Trading					
Purpose	-	-	885,467	-	885,467
Banks and Receivables From Money Markets	-	-	5,234,266	-	5,234,266
Investments in Associates and Subsidiaries	-	-	1,874,609	-	1,874,609
Loans and Receivables	36,849,266	69,990,429	16,940,958	-	123,780,653
Other Assets	-	-	20,379,948	6,340,483	26,720,431
TOTAL ASSETS	36,849,266	69,990,429	69,766,946	6,340,483	182,947,124
SEGMENT LIABILITIES					
Deposits	45,072,299	59,247,352	5,602,883	-	109,922,534
Derivative Financial Liabilities Held for Trading					
Purpose	-	-	289,589	-	289,589
Interbank Money Market Takings	-	-	12,744,041	-	12,744,041
Funds Borrowed	-	371,535	18,184,462	-	18,555,997
Securities Issued	-	-	10,547,759	-	10,547,759
Other Liabilities	-	-	4,759,494	5,945,955	10,705,449
Provisions and Tax Liabilities	-	-	-	3,414,207	3,414,207
Equity	-	-	-	16,767,548	16,767,548
TOTAL LIABILITIES AND EQUITY	45,072,299	59,618,887	52,128,228	26,127,710	182,947,124

(*) TL 760,611 amount of TL 1,048,278 shown in other income line consists of rejecting reserves from previous periods, TL 108,405 of income from sale of Bank's assets, TL 50,723 from communications income, TL 1,308 from leasing income and remaining TL 127,231 of other income.

(**) TL 1,380,439 amount of TL 3,610,183 shown in other expenses line consists of personnel expenses, TL 1,363,500 of other operating expenses, TL 157,738 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 114,138 of taxes and funds expenses, and the remaining TL 334,435 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT

The footnotes and related explanations published in the Official Gazette No. 29511 dated October 23, 2015 and prepared in accordance with the “Explanations Communique on Explanations to the Public Regarding Banks Risk Management” entered into force as of March 31, 2016 are given in this section. Since the Bank uses a standardized approach to capital adequacy calculations, there is no disclosure within the scope of the internal rating-based approach.

1. Information on Risk Management and Overview of Risk Weighted Amounts

a) Risk Management Strategy

The bank manages assets and values which are entrusted to it effectively and efficiently in order to increase the constant contribution to customers, shareholders and the society. The bank adopted the forward looking risk based approach in all activities undertaken by creating assets in a high quality and managing obligations well. Generating the systems and processes of risk management and observation of its effectiveness are structured in the responsibility of Board of Directors. Current risk profile of the bank defines the all the internal and external important risks arises from the operating environment, the regulatory or economic environment. These risks defined on the console and non-console level are managed with policies and implementation procedures approved by the Bank's Board of Directors. To achieve this, Risk Management Department working under the Audit Committee, Inspection Board Department and Internal Control Department are working in coordination with all the departments at the same time.

The improvement of risk culture in parallel with changes in economic conjectures and risk perception is considered as an important factor by the Bank and it aims to ensure the risk awareness and sensitivity in actions to be taken.

Risk management strategy of the bank is basically to avoid legal risks and risks which are unlikely to occur but have a huge impact, to take measures to minimize the risks (to reduce risks) that may arise due to the nature of banking activities, to purchase protection, insurance or techniques such as credit derivatives in order to transfer risks to the third parties (transfer of risk) and the acceptance of risks that are unlikely to occur and have small impact.

Within the scope of the general principles and principles observed by the Bank in the context of risk management, the internal capital adequacy assessment process (İSEDES) is established in parallel with the budgeting process to determine the internal capital targets consistent with the risk profile and the activity environment and the effects of scenario outcomes on Bank projections is evaluated. As a part of risk appetite structure, risk limits are set and over-limit exemptions and early warning levels are observed/followed. The risks may arise from the new products and services and effects of these risks are analyzed. For the quantification of quantifiable risks and the qualitative evaluation of non-quantifiable. Effective and applicable systems which are compatible with the Bank's product range and fields of activity are developed.

In response to the sudden and unexpected changes in the macroeconomic indicators and Bank's specific circumstances, the risks the can be exposed to such as income/expenditure effect, capital loss, economic value change , liquidity adequacy are presented by various reports and stress tests conducted daily , weekly, monthly and annually. These reports and stress tests play an active role in the process of making decisions in the context of risk based approach. Risks subject to stress tests contains all the risks related to bank's risk group (on the balance sheet – off the balance sheet).These risks are subject to stress test applications independently , and can be subject to stress test applications in an integrated way taking into account interactions between them.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Risks which are subject to stress test applications can be evaluated on portfolio and activities basis, consolidated and non – consolidated basis, at specific and general levels. Specific stress test applications are performed with sensitivity and scenario analysis specific to particular portfolio and activity. General stress test applications are established to ensure that bank’s risks are seen in an integrated perspective. Relations between risks are taken into account by the correlation effect and relations between portfolios are considered with diversification effect. Furthermore in addition to stress tests, reverse stress tests that enable us to evaluate which risk factors and which risk concentrations causes significant loss indicators designed from the outset are conducted.

b) Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period	Prior Period (**)	Current Period
1 Credit Risk (excluding counterparty credit risk) (*)	150,079,012	141,396,904	12,006,321
2 Standardized approach	150,079,012	141,396,904	12,006,321
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	2,123,897	2,522,407	169,911
5 Standardized approach for counterparty credit risk	2,123,897	2,522,407	169,911
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	611,455	536,690	48,916
17 Standardized approach	611,455	536,690	48,916
18 Internal model approaches	-	-	-
19 Operational Risk	12,290,249	12,290,249	983,220
20 Basic Indicator Approach	12,290,249	12,290,249	983,220
21 Standardized approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	207,773	161,660	16,622
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	165,312,386	156,907,910	13,224,990

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

(**) Prior period amounts include risk weighted amounts as of September 30, 2016 reporting period, consistent with the related communiqué.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

2. Linkages between Financial Statements and Regulatory Exposures

a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories:

	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	24,365,297	24,365,297	-	-	-	-
Financial assets held for trading	1,611,180	-	1,611,180	-	45,496	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	3,890,322	3,890,322	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	17,819,057	17,455,016	5,888,625	-	364,041	-
Loans and receivables	147,712,375	147,711,209	-	-	-	1,166
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	8,180,535	8,180,535	5,323,555	-	-	-
Investments in associates (net)	299,478	299,478	-	-	-	-
Investments in subsidiaries (net)	1,797,124	1,797,124	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,409,875	1,251,583	-	-	-	158,292
Intangible assets (net)	193,866	-	-	-	-	193,866
Investment properties (net)	-	-	-	-	-	-
Tax assets	83,109	83,109	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,227,867	1,115,725	-	-	-	112,142
Other assets	3,949,820	3,949,820	-	-	-	-
Total assets	212,539,905	210,099,218	12,823,360	-	409,537	465,466
Liabilities						
Deposits	123,838,377	-	-	-	-	123,838,377
Derivative financial liabilities held for trading	1,143,703	-	1,143,703	-	45,295	1,143,703
Loans	24,193,770	-	-	-	-	24,193,770
Debt to money markets	12,895,334	-	12,895,334	-	-	12,895,334
Debt securities in issue	14,707,745	-	-	-	-	-
Funds	3,319	-	-	-	-	3,319
Various debts	5,162,994	-	-	-	-	5,162,994
Other liabilities	2,676,191	-	-	-	-	2,676,191
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	3,224,092	-	-	-	-	3,224,092
Tax liability	424,456	-	-	-	-	424,456
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,031,213	-	-	-	-	5,031,213
Equity	19,238,711	-	-	-	-	19,238,711
Total liabilities	212,539,905	-	14,039,037	-	45,295	197,832,160

b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
Asset carrying value amount under scope of regulatory consolidation	212,074,439	210,099,218	-	12,823,360	409,537
Liabilities carrying value amount under regulatory scope of consolidation	14,707,745	-	-	14,039,037	(45,295)
3 Total net amount under regulatory scope of consolidation	197,366,694	210,099,218	-	(1,215,677)	364,242
4 Off-balance sheet amounts	114,291,533	22,195,365	-	2,222,070	-
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	(3,898,133)	-	-	-
9 Differences due to risk reduction	-	-	-	769,248	-
10 Exposure amounts considered for regulatory	-	228,396,450	-	2,991,318	364,242

c) Explanations of differences between accounting and regulatory exposure amounts

There is no significant difference between the amounts assessed pursuant to TAS and the risk amounts used within the scope of capital adequacy reported on the financial statements.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

3. Credit Risk Explanations

a) General Information on Credit Risk

If the counterparty does not partially or completely fulfil its obligations in accordance with contract, the credit risk is exposed. Bank’s definition of credit risk contains the credit risk in all products and activities based on the credit definition of law of banking.

In accordance with the articles 51 and 54 of banking law and in compliance with legal legislation in order to restrict the credit risk in the crediting operations; branches, regional directorates, general directorate crediting units, deputy general manager responsible for credits, general manager, credit committee and board of directors determine the credit limits for counterparties within the framework of lending authority limits and provide credits within these limits.

Credit limits are set separately for each individual customer, company, group of companies. When credit limits are set, in accordance with the credit policy, customers whose credit limits are allocated should have a long and successful commercial background , good commercial ethics , high financial structure and morality ,are able to use their business subjects as liquid, have positive and balanced commercial activities , experience and expertise , have understanding and structure to attune to economic justifications , have a good reputation , adequate equity , have the ability to create funds after the operation activities and to meet the expenses of placement by values created. Various criterions such as sectors and geographical regions are assessed. Evaluation of customer’s financial structure, in addition to normal intelligence studies, is based on balance sheets and income statement provided by companies with credits, account status documents obtained in accordance with relevant legislation and other information and documents.

It is possible to revise the determined credit limits as a result of assessment of general economic developments and the observation of changes in customer’s financial information and businesses. Type and the amount of the assurance that is determined according to the situation of companies to be loaned are provided on the customer basis in order for ensure security and liquidity of bank’s placement.

Crediting activities are one of the basic and extensive fields of activities. The bank can provide all kind of crediting activities with its experience, competitiveness, variety of product and services. Parallel to this, it has a wide range of organization, regulation (legislation/documentation) and system infrastructure for the marketing, allocation and monitoring process of credit.

While establishing infrastructure, it is also supervised that all activities can be performed on a risk basis, in addition to providing the highest level of efficiency in the processes of the credits.

Credit management is not the single function within the bank and it is not restricted to the only one unit and responsibility area. Credit management is a process carried out together with different units and employees with different roles, authorities and responsibilities.

Credit facility functions are mainly carried out by the consecration units and in addition to the transactions done by the business units announced by the head of the Credit Management Department, relevant policy, strategy and framework documents are constituted by taking account of the international implementations and domestic regulations in order to ensure the effective and healthy management of the credit risk. The basic principles and principles of the policy, strategy and framework documents and the identification, measurement, monitoring and reporting of risk within the scope of risk management are determined. In the management of the credit risk, it is essential to consider all risk categories that may lead to capital requirements. In this subjected process, allocation units, intelligence units and risk management units are playing an active role.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

The Risk Management Department continues its activities to assess, analyze and report on the credit risk in line with the policy document and measurement results and to determine the effect of the Bank on the capital requirement.

Within the results of the studies made in this context, it is possible to establish better portfolios with lower potential asset classes (credit types and/or counterparties) by sharing them with the bank’s top management and the units managing the loan portfolios, trying to be a guide in these matters.

Sectoral, geographical concentration limits and country risk limits have been determined in order to identify the risks to be created by credit concentration and to establish a balanced credit portfolio, these limits are updated considering the Bank's credit policy and economic changes.

The eventual aim of the Bank is using credit risk inherent management methods in accordance with Basel III and best international implementations. In this context, studies of IRB (Internal Ratings Based Approach) are carried out. Within the scope of IRB studies, politics and procedures are updated as risk-focused. In addition, the work involves the correctness, precision and consistency of the models, which are used by the Bank, and the ratios of them in determining these criteria, measuring the general coherence of the other parts of the models, and basically, the work is continued in terms of qualitative and quantitative validation (verification) of the Bank’s inner credit rating systems.

Credit quality of assets

		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	6,413,503	146,619,289	5,320,417	147,712,375
2	Debt Securities	-	26,219,504	247,522	25,971,982
3	Off-balance sheet exposures	165,159	65,401,526	59,816	65,506,869
4	Total	6,578,662	238,240,319	5,627,755	239,191,226

Changes in stock of defaulted loans and debt securities (*)

1	Defaulted loans and debt securities at end of the previous reporting period	4,850,213
2	Loans and debt securities that have defaulted since the last reporting period	2,919,386
3	Returned to non-defaulted status	(553,660)
4	Amounts written off	-
5	Other changes	(802,436)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	6,413,503
	Definitions	6,413,503

(*) Provisions for non-cash loans that are not indemnified and not converted into cash are not included.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Additional disclosure related to the credit quality of assets:

The Bank classifies loans and other receivables in accordance with the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables” and other regulations. When loans that are followed under the groups except Group I mentioned in this regulation are classified as past due items, general provision is calculated for Group II, and special provision is calculated for loans followed under Group III, IV and Group V.

According to the above mentioned “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables” Minimum provision rates to Loans classified is 20% to loans on Group III, 50% to loans on Group IV and 100% to loans on Group V.

Restructuring that can be applied for performing or non-performing receivables is done by changing the terms of the loan contract or by partially or completely refinancing the loan due to the financial difficulties that the borrower is facing or is likely to encounter in the payments

Breakdown of receivables in terms of geographic regions, sectors and remaining maturities

Breakdown of loan receivables by geographical area

Geographical area	Credit receivables/risks)
Domestic	139,359,552
European Union Countries	-
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	1,756,636
Other	5,502,804
Total	146,618,992

(*) OECD Countries other than EU countries, USA and Canada.

Breakdown of loan receivables by sector

Cash Loans	Cash Loans	Impaired Loans	Provisions
Agricultural	1,878,400	116,924	99,522
Farming and raising livestock	1,509,662	106,265	90,495
Forestry	286,476	7,848	6,997
Fishing	82,262	2,811	2,030
Manufacturing	26,254,073	1,112,305	983,726
Mining and Quarrying	1,004,707	41,038	36,879
Production	19,649,526	1,060,170	937,638
Electricity, Gas, Water	5,599,840	11,097	9,209
Construction	16,846,159	599,481	526,093
Services	44,711,065	1,739,620	1,452,901
Wholesale and Retail Trade	18,617,008	1,229,957	1,014,712
Accommodation and Dining	5,361,779	81,173	62,466
Transportation and Telecommunication	10,268,765	229,301	195,486
Financial Institutions	2,959,544	5,635	4,791
Real Estate and Rental Services	2,558,545	9,400	7,794
Professional Services	3,403,072	112,056	103,965
Educational Services	691,346	16,788	13,270
Health and Social Services	851,006	55,310	50,417
Other	56,929,295	2,845,173	2,257,878
Total	146,618,992	6,413,503	5,320,120

Breakdown by outstanding maturity

	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
Loans	12,575,901	5,268,530	30,613,044	62,734,890	35,426,627	146,618,992

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Amounts of provision allocated receivables (According to the definition used by the Bank in accounting) based on geographical area and sector and amounts deducted from the assets with the related provisions

Geographical area	Loan Receivables (Risks)	Provision
Domestic	6,412,988	5,319,644
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	65	50
Other	450	426
Total	6,413,503	5,320,120

(*) OECD Countries other than EU countries, USA and Canada.

Aging analysis for overdue receivables

	Total
31-60 days overdue	1,171,545
61-90 days overdue	889,662

(*) Loan receivables with overdue loans are taken into consideration.

Breakdown of restructured receivables based on whether or not provisions are allocated

	Changes Made to Extend Payment Plan
Loans restructured from Standard Loans and Other Receivables	1,473,046
Loans restructured from Loans under Follow-up and Other Receivables	1,511,482
Loans restructured from Non-Performing Loans	392,162

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", simple financial guarantee method is used for financial guarantees. Cash and cash equivalents and guarantees are used to mitigate credit risk.

Policies regarding the valuation of financial collateral and the appraisal of the valuations and policies and procedures for the valuation of real estate established for the collateral of mortgage-backed loans, which are an asset class, have been established. These policies and procedures have been prepared in accordance with the "Communiqué on Credit Risk Mitigation" and cover the minimum requirements for collateral valuation and management.

The Bank receives collaterals such as mortgages, sureties/guarantees and financial collaterals for the loans given.

Credit risk mitigation techniques

	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	92,786,791	54,925,584	46,872,614	3,076,521	2,649,313	-	-
2 Debt Securities	25,971,982	-	-	-	-	-	-
3 Total	118,758,773	54,925,584	46,872,614	3,076,521	2,649,313	-	-
4 Of which defaulted	6,413,503	-	-	-	-	-	-

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

c) Credit risk under standardized approach

Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The external rating grades of the counterparties of Fitch Ratings international rating agencies are used in determining the risk weights for the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy. Fitch Ratings is used as an international rating agency to determine the risk weights of risk classes to be received from central government or central banks and from banks and intermediary institutions.

When an international rating is taken into account for the entire risk category of central government or central banks, the centralized and central banks that are not rated by the Fitch Ratings international rating agency are based on the country risk classification issued by the Organization for Economic Co-operation and Development (OECD).

The following table shows that the rating scale of the credit rating agency corresponds to the credit quality levels reported in the annex of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy.

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit risk exposure and credit risk mitigation effects

Risk classes	Exposures before credit conversion factor and CRM		Exposures post-credit conversion factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	50,736,755	492,584	53,157,599	241,211	13,513,323	25.31%
2 Exposures to regional governments or local authorities	4,596,673	344,708	4,596,673	156,470	2,345,713	49.35%
3 Exposures to public sector entities	625,954	1,373,402	625,954	667,205	1,288,571	99.65%
4 Exposures to multilateral development banks	5	-	5	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions and banks	3,333,183	1,748,404	3,333,184	989,208	1,814,921	41.99%
7 Exposures to corporates	55,502,287	49,396,629	53,081,444	16,492,054	67,858,666	97.54%
8 Retail exposures	42,983,144	20,892,607	42,983,144	2,703,720	34,063,507	74.56%
9 Exposures secured by residential property	20,926,182	703,497	20,926,182	288,457	7,425,124	35.00%
10 Exposures secured by commercial real estate	22,075,082	1,401,642	22,075,082	657,040	14,085,290	61.96%
11 Past-due loans	1,093,383	-	1,093,383	-	1,093,383	100.00%
12 Higher-risk categories by the Agency Board	288,697	-	288,697	-	516,154	178.79%
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
16 Other receivables	6,149,265	-	6,149,265	-	4,157,923	67.62%
17 Investments in equities	2,124,212	-	2,124,212	-	2,124,210	100.00%
18 Total	210,434,822	76,353,473	210,434,824	22,195,365	150,286,785	64.60%

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

		0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	200%	250%	Other risk weights	Total risk Amount (After CCF and CRM)
1	Exposures to central governments or central banks	26,372,164	-	-	-	27,026,646	-	-	-	-	-	-	53,398,810
2	Exposures to regional governments or local authorities	10,108	-	86,015	-	4,657,020	-	-	-	-	-	-	4,753,143
3	Exposures to public sector entities	4,060	-	660	-	-	-	1,288,439	-	-	-	-	1,293,159
4	Exposures to multilateral development banks	5	-	-	-	-	-	-	-	-	-	-	5
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1,793	-	1,195,014	-	3,099,334	-	26,251	-	-	-	-	4,322,392
7	Exposures to corporates	399,141	-	394,561	-	2,000,084	-	66,779,712	-	-	-	-	69,573,498
8	Retail exposures	-	-	-	-	-	45,686,864	-	-	-	-	-	45,686,864
9	Exposures secured by residential property	-	-	-	21,214,639	-	-	-	-	-	-	-	21,214,639
10	Exposures secured by commercial real estate	-	-	-	-	17,293,665	-	5,438,457	-	-	-	-	22,732,122
11	Past-due loans	-	-	-	-	-	-	1,093,383	-	-	-	-	1,093,383
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	205,588	-	83,109	-	288,697
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	2,124,212	-	-	-	-	2,124,212
17	Other assets	1,797,559	-	242,229	-	-	-	4,109,477	-	-	-	-	6,149,265
18	Total	28,584,830	-	1,918,479	21,214,639	54,076,749	45,686,864	80,859,931	205,588	-	83,109	-	232,630,189

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

The counterparty credit risk that may be incurred by the counterparty that is a party to a transaction that is liable to both parties due to default before the final payment in the cash flow is managed within the Bank's "Counterparty Credit Risk Management Policy Document". The counterparty credit risk amounts calculated using the "Fair Value Valuation Method" within the scope of the "Communiqué on Credit Risk Mitigation" are calculated on the basis of the portfolios in the trading accounts and banking accounts, and these amounts are used within the scope of capital adequacy calculations. Various scenarios and stress tests are applied to the counterparty credit risk.

Processes related to counterparty credit risk management activities have been written down. In the direction of the policy document and measurement results, activities of evaluating, analyzing and reporting the counterparty credit risk and determining the effect of the capital requirement of the bank are being continued.

In addition to the measurement activities, sensitivity and scenario analysis are used to evaluate the resistance of the Bank to the changes that may be experienced in risk factors against economic developments. Monthly stress test reports include analyzes of counterparty credit risk. The distributions of positions subject to counterparty credit risk calculation, the ratings of these counterparties from independent rating agencies and transaction concentration are regularly monitored by the Risk Management Department. The Risk Management Department monitors the level of concentration in terms of the counterparty of derivative transactions. The collateral process of derivative transactions, repo, marketable securities transactions etc. with foreign banks is covered with ISDA and ISMA contracts and the collateral agreements regarding the mutual rights and obligations for the transactions between the two parties.

Treasury transactions are valued on a daily basis over the market prices taking into account these contracts and rules from the beginning to the closing of the transaction and the difference between the favorable and unfavorable values of the transactions against the market prices cause the settlement call movements by agreeing with the related banks. In compliance with the limitations of the bank which exposed to counterparty risk, the Bank follows the limit follow up system. Limits, which are defined as loan limits and compromise limits in the system, are monitored instantaneously.

The Bank has fulfilled its statutory obligations under EMIR (European Markets Infrastructure Regulation). The clearing member of the bank has been transmitted to the "counterparty" via a bank and transactions that provide conditions within the existing transactions in the portfolio have started to be cleared under the conditions of EMIR.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty credit risk (CCR) approach analysis

	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for Computing regulatory exposure at default	Exposure at default post CRM	RWA
1 Standardized Approach - CCR (for derivatives)	1,598,350	623,720			2,222,070	1,094,707
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					769,248	183,239
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6 Total						1,277,946

Capital requirement for credit valuation adjustment (CVA)

	<i>EAD post CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3x multiplier)		-
2 (ii) Stressed VaR component (including the 3x multiplier)		-
3 All portfolios subject to the Standardized CVA capital obligation	2,222,070	845,628
4 Total subject to the CVA capital obligation	2,222,070	845,628

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Others	Total credit exposure (*)
Claims from central governments and central banks	3,885,875	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,216	-	38	-	-	-	-	-	-	8
Claims from administration and non-commercial entity	16,486	-	-	-	-	-	1,339	-	-	1,339
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	6,537,261	-	1,635,775	-	3,110,686	-	-	-	-	1,882,498
Corporates	1,689	-	-	-	-	-	211,962	-	-	211,962
Retail portfolios	406	-	-	-	-	37,453	-	-	-	28,089
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	10,442,933	-	1,635,813	-	3,110,686	37,453	213,301	-	-	2,123,896

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counter counterparty risks includes amounts not included in the credit risk.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	5,462,076	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	5,462,076	-

Loan Derivatives

	Protection bought	Protection sold
Nominals		
Single-name credit default swaps	165,000	246,050
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Nominals	165,000	246,050
Fair Values		
Positive fair values (asset)	11,131	-
Negative fair values (liability)	-	24,801

Central counterparty risks

	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)		323
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3 (i) OTC Derivatives	16,124	323
4 (ii) Exchange-traded Derivatives	-	-
5 (iii) Securities financing transactions	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-
7 Segregated initial margin	-	-
8 Non-segregated initial margin	-	-
9 Pre-funded default fund contributions	-	-
10 Unfunded default fund contributions	-	-
11 Exposures to non-QCCPs (total)		
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)		
13 (i) OTC Derivatives	-	-
14 (ii) Exchange-traded Derivatives	-	-
15 (iii) Securities financing transactions	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-
17 Segregated initial margin	-	-
18 Non-segregated initial margin	-	-
19 Pre-funded default fund contributions	-	-
20 Unfunded default fund contributions	-	-

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

5. Explanations on Securitizations

None.

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

As a result of fluctuations in the financial market, the Bank is exposed to market risk, depending on the exchange rates, interest rates and changes in the market prices of the shares.

In order to evaluate the market risk, liquidity risk, interest risk or condensation risk that Bank is facing or could face, with the policies and limitations that are lineup for to control the risks there is “Market Risk Management Directorate” and it carries out the market risk management. In this extent, this Directorate design the risk measurement models, measurement results and getting regular reports from the other analyzes and give notices from the report of the analyzes to the necessary departments.

Market risks get measured and monitored with the internal models that are parallel to international applications. This market risk management process continues by including buying and selling balance sheet both internally and externally, meeting the legal necessities, being able to analyze the all risks that can be caused from buying-selling activities and by identifying the market risk that can be caused by all portfolios.

Risk management of the Bank is important in order to be understood by the all management stages and be able to get an opportunity to manage risk. In addition to that, it is similarly important to handle the loss that might cause when a risk occurs. Therefore measurements must cover the evaluations for the fund needs near the size of the risk and evaluations of the conditions that caused it. By using the methods of scenario and stress test, it is possible to see risk levels and needs of funds that can be generated from different circumstances and risky conditions.

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. Only by using the 99% of trust range, other measurements that are subject to risk can be daily calculated by using the historical stimulation and Monte Carlo stimulation. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

Market Risk- Standardized approach

		RWA
Outright products		
1	Interest rate risk (general and specific)	261,767
2	Stock risk (general and specific)	400
3	Foreign exchange risk	348,988
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	300
7	Scenario approach	-
8	Securitization	-
9	Total	611,455

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7. Explanations on Operational Risk

The “Basic Indicator Method” that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 is used in the operational risk calculation of the Bank. Under the scope of the calculation, the value found by multiplying the average of the fifteen percent of the year-end gross income amounts realized by the Bank over the last three years by twelve and half is considered as the operational risk.

Annual gross revenue is calculated by deducting profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non-interest income.

Current Period	31 December 2014	31 December 2015	31 December 2016	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,159,500	6,232,883	7,272,016	6,554,800	15	983,220
Amount subject to Operational Risk (Amount*12,5)						12,290,249

8. Interest Rate Risk Related to Banking Book

Bank has evaluated to Interest rate risk arising from on-balance sheet and off-balance sheet positions in banking accounts in accordance with “Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method” performs and reports on these measurement based results and analyzes on weekly and monthly periods. In addition, in the Asset-Liability Management Committee meetings, the sensitivity of the active, passive and off-balance sheet items to the interest rate is evaluated taking into consideration the market developments.

In line with the management of interest rate risk arising from banking accounts; Scenario analysis, gap analysis to date of re-pricing, behavioral analysis, core demand deposit level, duration and maturity mismatch metrics, option risk, base risk and yield curve risk components are followed together.

Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1 TRY	500/(400)	(2,210,943)/2,186,994	(9.45%)/9.34%
2 EURO	200/(200)	388,955/1,240	1.66%/0.01%
3 USD	200/(200)	603,486/(601,248)	2.58%/(2.57%)
Total (for negative shocks)	-	1,586,986	6.78%
Total (for positive shocks)	-	(1,218,502)	(5.21%)

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

SECTION FIVE

DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1,281,047	504,949	1,157,743	277,106
CBRT (*)	2,892,154	19,433,355	778,712	19,055,634
Other	235,929	17,863	197,525	18,069
Total	4,409,130	19,956,167	2,133,980	19,350,809

(*) TL 14,977,543 (December 31, 2015: TL 18,422,690) of the foreign currency deposit at Central Bank of The Republic of Turkey consists of foreign currency reserve deposits.

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 4% to 10.5% (December 31, 2015: ranging from 5% to 11.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 4.5% to 24.5% in US Dollar or Euro (December 31, 2015: ranging from 5% to 25%).

According to 2014-72 numbered and October 21, 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 May 2, 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 The Republic of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,861,879	2,647,870	760,146	632,944
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	1,807,942	105	-
Reserve Deposits	30,275	14,977,543	18,461	18,422,690
Total	2,892,154	19,433,355	778,712	19,055,634

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

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

None.

Trading securities subject to repurchase agreements

None.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Positive differences on derivative financial assets held for trading purpose

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	18,625	4,254	2,087	624
Swap Transactions	1,459,135	128,530	737,149	145,264
Futures	-	-	-	-
Options	107	328	103	240
Other	-	-	-	-
Total	1,477,867	133,112	739,339	146,128

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	22,355	155,746	370,201	269,123
Foreign	15,215	3,697,006	-	4,594,942
Foreign Head Offices and Branches	-	-	-	-
Total	37,570	3,852,752	370,201	4,864,065

Due from foreign banks

	Unrestricted Balance		Restricted Balances ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	343,932	133,356	-	-
USA, Canada	2,746,877	3,674,762	308,742	77,170
OECD Countries ^(*)	89,546	590,452	-	-
Off-shore Banking Regions	90	88	-	-
Others	223,034	119,114	-	-
Total	3,403,479	4,517,772	308,742	77,170

^(*) OECD countries except from EU countries, USA, Canada.

^(**) Restricted balances that occur from securitization 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
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar				
Marketable Securities	1,882,699	2,051,546	1,571,646	1,516,438
Other	-	-	-	-
Total	1,882,699	2,051,546	1,571,646	1,516,438

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Available-for-sale financial assets subject to repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	3,775,304	-	3,621,980	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	2,113,320	-	2,647,350
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Total	3,775,304	2,113,320	3,621,980	2,647,350

Information on available-for-sale financial assets

	Current Period	Prior Period
Debt securities	18,032,192	16,870,435
Quoted on a Stock Exchange	18,032,192	16,870,435
Unquoted	-	-
Equity securities	27,610	79,253
Quoted on a Stock Exchange	-	-
Unquoted	27,610	79,253
Provision for impairment on available-for-sale financial assets (-)	240,745	175,719
Total	17,819,057	16,773,969

5. Information on loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	31,720	-	28,550
Legal entities	-	31,720	-	28,550
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	117,056	-	102,886	-
Total	117,056	31,720	102,886	28,550

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

Cash Loan	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified	Other	Loans and other receivables	Agreement conditions modified	
					Payment plan extensions	Other
Non-specialized loans	138,214,710	1,473,046	-	5,419,037	1,511,482	-
Loans given to enterprises	41,168,166	807,393	-	1,711,000	1,109,638	-
Export loans	5,260,079	-	-	287,483	49,334	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	3,032,433	-	-	4,875	-	-
Consumer loans	34,552,670	273,354	-	1,511,270	214,216	-
Credit cards	5,576,319	-	-	303,582	94,251	-
Other	48,625,043	392,299	-	1,600,827	44,043	-
Specialized lending	717	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	138,215,427	1,473,046	-	5,419,037	1,511,482	-

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

Number of modifications to extend payment plans	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
Extended for 1 or 2 times	1,473,046	1,168,269
Extended for 3, 4 or 5 times	-	-
Extended for more than 5 times	-	-

Extended period of time	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
0-6 Months	6,768	222
6 - 12 Months	9,781	12,283
1-2 Years	44,284	74,260
2-5 Years	1,185,501	991,589
5 Years and Over	226,712	89,915

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	<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>
Cash loans				
Short-term Loans and Other Receivables	37,340,596	8,627	2,148,865	216,717
Loans	37,340,596	8,627	2,148,865	216,717
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	100,874,831	1,464,419	3,270,172	1,294,765
Loans	100,874,114	1,464,419	3,270,172	1,294,765
Specialization loans	717	-	-	-
Other Receivables	-	-	-	-

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	435,289	33,910,437	34,345,726
Housing Loans	9,769	16,973,350	16,983,119
Automobile Loans	4,568	407,802	412,370
General Purpose Loans	420,952	16,529,285	16,950,237
Other	-	-	-
Consumer Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Retail Credit Cards – TL	4,309,521	98,976	4,408,497
With Installment	1,939,141	90,057	2,029,198
Without Installment	2,370,380	8,919	2,379,299
Retail Credit Cards – FC	11,814	-	11,814
With Installment	-	-	-
Without Installment	11,814	-	11,814
Personnel Loans – TL	3,607	48,173	51,780
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	3,607	48,173	51,780
Other	-	-	-
Personnel Loans – FC indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	64,461	459	64,920
With Installment	25,745	430	26,175
Without Installment	38,716	29	38,745
Personnel Credit Cards – FC	356	-	356
With Installment	-	-	-
Without Installment	356	-	356
Overdraft Checking Accounts – TL (Real persons)	2,153,837	-	2,153,837
Overdraft Checking Accounts – FC (Real persons)	167	-	167
Total	6,979,052	34,058,045	41,037,097

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans–TL	1,108,714	25,693,806	26,802,520
Real Estate Loans	2,604	921,104	923,708
Automobile Loans	72,188	1,545,597	1,617,785
General Purpose Loans	1,033,922	23,227,105	24,261,027
Other	-	-	-
Installment-based Commercial Loans–FC indexed	28,251	1,448,225	1,476,476
Real Estate Loans	-	-	-
Automobile Loans	-	23,316	23,316
General Purpose Loans	28,251	1,424,909	1,453,160
Other	-	-	-
Installment-based Commercial Loans–FC	5,368	6,981,560	6,986,928
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	5,368	6,981,560	6,986,928
Other	-	-	-
Corporate Credit Cards–TL	1,487,374	292	1,487,666
With Installment	388,896	292	389,188
Without Installment	1,098,478	-	1,098,478
Corporate Credit Cards–FC	899	-	899
With Installment	-	-	-
Without Installment	899	-	899
Overdraft Checking Accounts–TL (Corporate)	1,041,146	-	1,041,146
Overdraft Checking Accounts–FC (Corporate)	-	-	-
Total	3,671,752	34,123,883	37,795,635

Allocation of loan customers

	Current Period	Prior Period
Public Sector	2,526,793	962,508
Private Sector	144,092,199	122,011,970
Total	146,618,992	122,974,478

Allocation of domestic and overseas loans

	Current Period	Prior Period
Domestic Loans	146,192,697	122,622,462
Foreign Loans	426,295	352,016
Total	146,618,992	122,974,478

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Provided to the Subsidiaries and Associates	294,757	145,876
Indirect Loans Provided to the Subsidiaries and Associates	-	-
Total	294,757	145,876

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Specific provisions for loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	384,497	96,407
Loans and Receivables with Doubtful Collectability	551,246	386,298
Uncollectible Loans and Receivables	4,384,377	3,561,333
Total	5,320,120	4,044,038

Information on non-performing loans (Net)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Current period	137,005	176,551	78,606
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	137,005	176,551	78,606
Prior period	51,611	88,881	59,591
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	51,611	88,881	59,591

Movements in non-performing loan groups

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Balance at the beginning of the period	482,035	772,154	3,596,024
Additions (+)	2,845,119	19,296	54,971
Transfers from other categories of loans under follow-up (+)	-	2,100,561	1,473,554
Transfers to other categories of loans under follow-up (-) ^(*)	2,105,931	1,515,665	151,752
Collections (-)	294,113	274,330	588,420
Write-offs (-)	-	-	-
<i>Corporate and commercial loans</i>	-	-	-
<i>Retail loans</i>	-	-	-
<i>Credit cards</i>	-	-	-
<i>Other</i>	-	-	-
Balance at the end of the period	927,110	1,102,016	4,384,377
Specific provision (-) ^(**)	384,497	551,246	4,384,377
Net balance	542,613	550,770	-

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

^(**) For the loans amounting to TL 248,844 in the third group, provision amounting to 199,075 TL is provided instead of 20% which is the minimum rate stated in the related regulation and 100% provision is provided.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Balance at the end of the period	57,993	12,646	223,454
Specific provision (-)	50,675	6,323	223,454
Net balance on balance sheet	7,318	6,323	-
Prior Period			
Balance at the end of the period	15,261	88,082	198,835
Specific provision (-)	3,052	44,041	198,835
Net balance on balance sheet	12,209	44,041	-

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Consumer and Commercial Loans (Gross)	926,977	1,092,516	4,292,536
Specific Provision (-)	384,470	546,496	4,292,536
Consumer and Commercial Loans (Net)	542,613	550,770	-
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	133	9,500	90,290
Specific Provision (-)	27	4,750	90,290
Other Loans and Receivables (Net)	106	4,750	-
Prior Period (Net)			
Consumer and Commercial Loans (Gross)	475,614	762,956	3,523,032
Specific Provision (-)	95,123	381,699	3,488,341
Consumer and Commercial Loans (Net)	385,628	385,856	34,691
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	6,421	9,198	71,441
Specific Provision (-)	1,284	4,599	71,441
Other Loans and Receivables (Net)	5,137	4,599	-

6. Information on held-to-maturity investments

Held-to-maturity debt securities issued by the governments

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	8,039,914	-	7,546,748	-
Treasury Bills	-	-	-	-
Other Securities Issued by the	-	-	-	-
Total	8,039,914	-	7,546,748	-

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on held-to-maturity investment securities

	Current Period	Prior Period
Debt Securities	8,187,293	7,683,950
Quoted at Stock Exchanges	8,046,672	7,552,969
Unquoted at Stock Exchanges	140,621	130,981
Impairment Losses (-)	6,758	6,221
Total	8,180,535	7,677,729

The movement table of the held-to-maturity investments

	Current Period	Prior Period
Balances at the beginning of the period	7,677,729	6,854,593
Foreign currency differences on monetary assets	7,371	44,702
Purchases during the period	1,873,688	1,610,704
Transfers to available for sale portfolio	-	-
Disposals through sales/redemptions	(1,673,758)	(1,129,187)
Change in Impairment losses	(537)	(366)
Change in amortized costs of the securities (*)	296,042	297,283
Balances at the end of the period	8,180,535	7,677,729

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

Information on held-to-maturity investments

Current Period	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	556,248	140,600	576,573	140,621
Investments subject to repurchase agreements	4,680,338	-	5,323,556	-
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	1,821,464	-	2,139,785	-
Total	7,058,050	140,600	8,039,914	140,621

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

7. Information on investments in associates

Information on investments in associates

Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Kıbrıs Vakıflar Bankası Ltd. (*)	Nicosia/ NCTR	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası A.Ş.	Istanbul/ Turkey	8.38	8.38
3 Roketsan Roket Sanayi ve Ticaret A.Ş. (*)	Ankara/ Turkey	9.93	9.93
4 Bankalararası Kart Merkezi A.Ş.	Istanbul/ Turkey	9.70	9.70
5 KKB Kredi Kayıt Bürosu A.Ş. (*)	Istanbul/ Turkey	9.09	9.09
6 Güçbirliği Holding A.Ş.	Izmir/ Turkey	0.07	0.07
7 İzmir Enternasyonal Otelcilik A.Ş.	Istanbul/ Turkey	5.00	5.00
8 İstanbul Takas ve Saklama Bankası A.Ş. (*)	Istanbul/ Turkey	4.37	4.37
9 Kredi Garanti Fonu A.Ş. (*)	Ankara/ Turkey	1.69	1.69
10 Tasfiye Halinde World Vakıf UBB Ltd.	Nicosia/ NCTR	82.00	85.33

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	857,279	85,887	6,521	51,689	2,679	3,640	5,285	-
2	24,875,486	3,143,053	793,595	1,056,021	357,490	443,431	407,231	2,897,829
3	3,378,510	905,733	559,578	10,028	-	128,591	(50,090)	-
4	80,262	39,897	50,021	1,068	-	10,403	3,869	-
5	185,448	129,647	135,578	2,817	-	16,458	26,782	-
6	141,180	(35,523)	87,993	623	-	(3,360)	(17,521)	-
7	102,529	(30,230)	87,135	7	-	(30,601)	(18,136)	-
8	7,494,521	994,440	103,049	216,309	5,881	162,178	132,453	-
9	324,489	298,991	7,563	12,390	-	17,738	19,899	-
10	1,631	(104,975)	-	13,833	-	(8,988)	(7,452)	-

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2016.

Movement table of investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	270,290	305,469
Movements during the period	29,188	(35,179)
Transfers	-	-
Acquisitions and capital increases	-	-
Bonus shares received	29,632	21,453
Income/loss from investments under equity accounting	-	-
Sales and liquidations	-	-
Fair value changes	(444)	(56,632)
Impairment losses	-	-
Balance at the end of the period	299,478	270,290
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

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

In the prior period, subsequent to the approval of the decision of the capital of Kredi Garanti Fonu A.Ş. in the Ordinary Meeting of General Assembly of the Company dated March 31, 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 April 10, 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 April 10, 2015. The share of the Bank amounting to TL 509 is presented as bonus shares received in the movement table of investments in associates.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on February 4, 2009. Pursuant to the March 4, 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., 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 May 24, 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 August 27, 2013. Thus, the company's title has been changed as "World Vakıf UBB Ltd in Liquidation".

Sectoral distribution of investments in financial associates

	Current Period	Prior Period
Banks	283,359	254,171
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other associates	4,719	4,719
Total	288,078	258,890

Quoted associates

	Current Period	Prior Period
Quoted at domestic stock exchanges	242,838	218,150
Quoted at international stock exchanges	-	-
Total	242,838	218,150

Investments in associates disposed during the period

There are no associates disposed in the current period.

Investments in associates acquired during the period

There are no associates disposed in the current period.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries

Information on significant subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama A.Ş.	Vakıf Yatırım Menkul Değerler A.Ş.	Vakıf Faktoring A.Ş.	Güneş Sigorta A.Ş.	Vakıf Emeklilik A.Ş.	Vakıf Portföy Yönetimi A.Ş.	Vakıf Gayrimenkul Yat. Ort. A.Ş.	Vakıf Menkul Kıymet Yat. Ort. A.Ş.
Paid in Capital	114,483	87,000	35,000	22,400	270,000	26,500	12,000	213,000	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Other Capital Reserves	-	255	(271)	28,882	(2,011)	6,881	56	21,619	62
Securities Value Increase Fund	27,447	3,470	66,346	347	275,328	468	-	-	-
Tangible Assets' Value Increase From Revaluation	-	17,517	-	-	204,865	50,005	-	547	-
Associates And Subsidiaries Bonus Shares	-	-	-	-	59	191	-	-	-
Legal Reserves	9,279	5,110	5,644	5,824	17,179	18,385	965	6,390	395
Extraordinary Reserves	-	33,398	7,368	48,296	19,246	68,476	1,577	97,360	-
Other Profit Reserves	241,123	-	2,308	-	-	-	-	-	-
Profit/Loss	131,119	23,281	3,981	16,097	(436,362)	134,798	6,855	16,418	(3,008)
<i>Prior Period's Profit/Loss</i>	<i>106,801</i>	<i>-</i>	<i>(4,587)</i>	<i>-</i>	<i>(384,215)</i>	<i>82,533</i>	<i>-</i>	<i>1,015</i>	<i>(2,771)</i>
<i>Current Period's Profit/Loss</i>	<i>24,318</i>	<i>23,281</i>	<i>8,568</i>	<i>16,097</i>	<i>(52,147)</i>	<i>52,265</i>	<i>6,855</i>	<i>15,403</i>	<i>(237)</i>
Minority Rights	-	70	-	-	-	-	-	-	-
Total Core Capital	523,451	170,101	120,376	121,846	348,959	305,704	21,453	602,065	17,449
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	523,451	170,101	120,376	121,846	348,959	305,704	21,453	602,065	17,449
NET AVAILABLE EQUITY	523,451	170,101	120,376	121,846	348,959	305,704	21,453	602,065	17,449

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Vakıf Yatırım Menkul Değerler A.Ş., a subsidiary of the Bank, calculates capital adequacy in accordance with Serial V, No: 34 numbered “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of CMB every six month. Güneş Sigorta A.Ş. ve Vakıf Emeklilik A.Ş. that operate in insurance business calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury every six month. According to the calculations at December 31, 2016, there is no capital requirement for the subsidiaries mentioned.

Information on investments in subsidiaries

Subsidiary	Address (City / Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta A.Ş.	Istanbul/ Turkey	48.20	48.20
2 Vakıf Emeklilik A.Ş.	Istanbul/ Turkey	53.90	79.74
3 Vakıf Faktoring A.Ş.	Istanbul/ Turkey	78.39	88.70
4 Vakıf Finansal Kiralama A.Ş.	Istanbul/ Turkey	58.71	66.26
5 Vakıf Yatırım Menkul Değerler A.Ş.	Istanbul/ Turkey	99.00	99.48
6 Vakıfbank International AG	Vienna/ Austria	90.00	90.00
7 Vakıf Portföy Yönetimi A.Ş.	Istanbul/ Turkey	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	22.89	34.57
9 Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	38.70	40.87
10 Vakıf Enerji ve Madencilik A.Ş. (*)	Ankara/ Turkey	65.50	85.53
11 Taksim Otelcilik A.Ş.	Istanbul/ Turkey	51.00	51.69
12 Vakıf Pazarlama Sanayi ve Ticaret A.Ş. (**)	Istanbul/ Turkey	69.33	76.20
13 Vakıf Gayrimenkul Değerleme A.Ş.	Ankara/ Turkey	54.29	58.73

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Company's Fair Value
1	1,756,036	433,195	565,250	45,783	2,905	(50,762)	(162,569)	282,966
2	5,130,134	237,764	111,658	24,811	104	38,512	25,890	800,926
3	919,199	118,651	2,784	77,923	-	12,943	10,116	95,035
4	1,686,534	170,103	22,015	110,521	-	23,284	23,637	134,594
5	437,066	120,375	1,573	18,653	142	8,568	(5,459)	106,298
6	3,513,385	493,263	1,462	75,410	19,780	23,544	8,957	482,346
7	22,510	21,453	110	2,077	66	6,855	3,302	72,525
8	18,131	17,448	34	295	1,211	(237)	(281)	22,483
9	1,029,304	864,983	609,650	29,080	-	42,425	74,144	489,932
10	25,406	5,916	1,042	388	-	280	(1,745)	14,466
11	366,961	354,338	234,212	6,517	-	504	9,112	400,560
12	51,313	42,516	723	3,351	57	3,587	3,861	58,797
13	31,687	26,423	304	2,401	-	1,269	829	26,471

(*) The financial statement information provided for these subsidiaries is from the financial statements dated September 30, 2016.

(**) The financial statement information provided for these subsidiaries is taken from the financial statements as of June 30, 2016.

(***) The financial statement information provided for these subsidiaries is taken from the financial statements as of December 31, 2015.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	1,604,319	1,431,513
Movements during the period	192,805	172,806
Transfers	-	-
Acquisitions and capital increases	76,155	-
Bonus shares received	24,858	4,605
Dividends from current year profit	(1,694)	(26,186)
Sales and liquidations	-	-
Fair value changes	87,159	163,959
Impairment losses	6,327	30,428
Balance at the end of the period	1,797,124	1,604,319
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Methods to measure investments in subsidiaries

	Current Period	Prior Period
Measured at cost	-	-
Measured at fair value	1,797,124	1,604,319
Equity method of accounting	-	-
Total	1,797,124	1,604,319

Sectoral distribution of investments in financial subsidiaries

	Current Period	Prior Period
Insurance companies	434,112	434,144
Banks	568,089	480,532
Factoring companies	74,498	62,163
Leasing companies	79,019	45,681
Finance companies	-	-
Other financial subsidiaries	372,510	327,650
Total	1,528,228	1,350,170

Quoted subsidiaries

	Current Period	Prior Period
Quoted at domestic stock exchanges	410,160	330,703
Quoted at international stock exchanges	-	-
Total	410,160	330,703

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Investments in subsidiaries acquired during the current period

In the current period, within the registered capital ceiling of TL 300,000 of Güneş Sigorta A.Ş., the paid-in capital increased from TL 150,000 to TL 270,000 by increasing TL 120,000. In this context, our fair value was fully used in the capital increase of the Company and our Bank's current nominal share was TL 43,619. In addition, TL 32,536 has been paid for the premiums not used by other shareholders (from the shares offered to the public on the BİAŞ share market) for the nominal 32.000.000 shares purchased from the prices formed in the BİST Primary Market. Total share capital of the Bank amounting to TL 76,155 is included in Purchases in the movement table of subsidiaries. After the capital increase, our nominal share of TL 54,524 in the capital of Güneş Sigorta A.Ş. has increased to TL 130,143 and our share of 36.35% has increased to 48.20%.

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

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

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

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

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

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	936,264	124,710	35,238	1,096,702	2,192,914
Accumulated depreciation(-)	1,585	119,117	30,898	651,689	803,289
Impairment (-)	6,475	-	-	-	6,475
Net book value	928,204	5,593	4,340	445,013	1,383,150
Balance at the end of the current year:					
Net book value at the beginning of the current year	928,204	5,593	4,340	445,013	1,383,150
Additions	56,332	-	2,839	165,598	224,769
Cost of the disposals	70,699	12,820	10,130	4,615	98,264
Depreciation of the disposals	12	12,165	9,732	3,343	25,252
Depreciation of the current year (-)	4,970	2,070	1,952	120,426	129,418
Impairment (-)	(244)	-	-	-	(244)
Net exchange differences from Foreign Branches	-	-	(20)	4,162	4,142
Cost at the end of the current year	921,897	111,890	27,927	1,261,847	2,323,561
Accumulated depreciation at the end of the year (-)	6,543	109,022	23,118	768,772	907,455
Impairment (-)	6,231	-	-	-	6,231
Net book value at the end of the current year	909,123	2,868	4,809	493,075	1,409,875

13. Information on intangible assets

Bank's intangible assets consist of computer softwares and licences. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives. The Bank divides the extinction share of intangible assets according to inflation adjusted values.

There is not any intangible asset that is important for fullest extend of financial statements.

The Bank does not have any intangible asset that is collateral or acquired by government promotion and has a limitation on usage.

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

The Bank did not declared a commitment to purchase intangible assets.

14. Information on investment properties

None.

15. Information on deferred tax assets

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

	Current period	Prior Period
<i>Deferred tax assets:</i>	256,814	232,350
Provision for employee termination benefits and unused vacations	93,202	87,096
Other provisions	50,864	45,287
Valuation differences of associates and subsidiaries	23,456	23,456
Valuation differences of financial assets and liabilities	81,386	67,439
BRSA - Tax Code depreciation differences	5,986	7,252
Other	1,920	1,820
<i>Deferred tax liabilities:</i>	(173,705)	(216,929)
Valuation differences of financial assets and liabilities	(96,100)	(127,392)
Valuation differences of associates and subsidiaries	(48,843)	(60,671)
Valuation differences of properties	(28,762)	(28,866)
Deferred tax assets/(liabilities), net	83,109	15,421

The deferred tax asset / liability schedule as of December 31, 2016 and December 31, 2015 is as follows:

	Current Period	Prior Period
As of 1 January	15,421	72,437
Deferred tax income/loss	19,942	(135,874)
Deferred tax that is accounted under Equity	48,737	78,858
Exchange differences	(991)	-
Deferred tax asset/(Liability)	83,109	15,421

The reconciliation of the deferred tax on the assets directly related to the equity is as follows:

	Current period	Prior Period
Securities available for sale	47,738	113,451
Associates and subsidiaries	1,500	(4,764)
Tangible assets	104	(28,866)
Actuarial gains and losses	(605)	(963)
Total	48,737	78,858

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

As at December 31, 2016 assets held for sale and assets related to the discontinued operations amount to TL 1,227,867 (December 31, 2015: TL 994,964).

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

17. Information on other assets

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

	Current period	Prior Period
Receivables from credit card payments	988,257	923,489
Guarantees given for derivative financial instruments	1,876,321	501,035
Prepaid expenses	507,866	578,292
Receivables from term sale of assets	21,746	44,567
Guarantees given for repurchase agreements	-	143,978
Other	555,630	479,469
Total	3,949,820	2,670,830

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	5,705,688	-	1,680,889	25,414,440	1,642,146	289,813	164,353	268	34,897,597
Foreign Currency Deposits	5,046,499	-	2,673,873	18,808,024	1,720,217	844,659	3,991,576	-	33,084,848
Residents in Turkey	4,817,098	-	2,667,484	18,521,686	1,479,501	544,129	943,203	-	28,973,101
Residents Abroad	229,401	-	6,389	286,338	240,716	300,530	3,048,373	-	4,111,747
Public Sector Deposits	5,358,931	-	5,219,406	6,965,059	768,349	2,589,066	115,942	-	21,016,753
Commercial Deposits	2,906,967	-	6,121,194	7,400,536	1,488,185	312,555	9,300	-	18,238,737
Other	4,168,961	-	1,901,192	3,401,011	881,451	85,146	20,450	-	10,458,211
Precious Metal Deposits	1,010,609	-	-	-	-	-	-	-	1,010,609
Bank Deposits	236,382	-	3,302,157	1,395,631	98,703	23,363	75,386	-	5,131,622
Central Bank	1,117	-	-	-	-	-	-	-	1,117
Domestic Banks	10,240	-	2,934,648	913,292	98,703	2,144	4,323	-	3,963,350
Foreign Banks	162,049	-	156,451	288,852	-	21,219	71,063	-	699,634
Participation Banks	62,976	-	211,058	193,487	-	-	-	-	467,521
Other	-	-	-	-	-	-	-	-	-
Total	24,434,037	-	20,898,711	63,384,701	6,599,051	4,144,602	4,377,007	268	123,838,377
Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	4,424,092	-	471,519	22,041,396	1,027,318	255,301	124,971	-	28,344,597
Foreign Currency Deposits	4,121,923	-	3,451,462	15,829,234	1,474,397	912,706	3,462,272	-	29,251,994
Residents in Turkey	3,850,977	-	3,448,531	15,546,772	1,235,166	611,274	942,705	-	25,635,425
Residents Abroad	270,946	-	2,931	282,462	239,231	301,432	2,519,567	-	3,616,569
Public Sector Deposits	4,504,470	-	4,869,059	6,958,081	843,503	1,879,924	205,243	-	19,260,280
Commercial Deposits	2,464,867	-	3,737,839	11,417,347	161,445	50,949	1,336	-	17,833,783
Other	3,751,277	-	1,772,094	3,170,500	242,340	41,669	25,525	-	9,003,405
Precious Metal Deposits	625,592	-	-	-	-	-	-	-	625,592
Bank Deposits	385,739	-	3,804,547	918,327	230,210	118,489	145,571	-	5,602,883
Central Bank	1,116	-	-	-	-	-	-	-	1,116
Domestic Banks	6,477	-	3,645,258	553,924	212,223	-	-	-	4,417,882
Foreign Banks	223,598	-	159,289	364,403	17,987	118,489	145,571	-	1,029,337
Participation Banks	154,548	-	-	-	-	-	-	-	154,548
Other	-	-	-	-	-	-	-	-	-
Total	20,277,960	-	18,106,520	60,334,885	3,979,213	3,259,038	3,964,918	-	109,922,534

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	19,306,192	15,480,662	15,591,405	12,863,935
Foreign Currency Saving Deposits	5,092,943	4,788,666	14,160,086	11,939,036
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	24,399,135	20,269,328	29,751,491	24,802,971

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	37,431	24,839
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	4,957	5,438
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	18,011	4,202	1,508	594
Swap Transactions	898,463	184,541	109,384	149,252
Futures	-	-	-	-
Options	38,159	327	28,612	239
Other	-	-	-	-
Total	954,633	189,070	139,504	150,085

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of The Republic of Turkey	-	-	-	-
Domestic Bank and Institutions	100,256	557,124	101,625	269,158
Foreign Banks, Institutions and Funds	571,642	22,964,748	231,158	17,954,056
Total	671,898	23,521,872	332,783	18,223,214

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Maturity information of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term (*)	97,160	2,275,319	101,813	2,020,325
Medium and Long term (*)	574,738	21,246,553	230,970	16,202,889
Total	671,898	23,521,872	332,783	18,223,214

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 12.52% ((December 31, 2015: 11.17%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

On September 22, 2014, Vakıfbank has obtained syndicated loan amounting to US Dollar 168.5 million and Euro 528.75 million with interest rates of US Libor + 0.90% and Euribor + 0.90% at a maturity of one year, with the participation of 26 banks, ING Bank, London Branch acting as coordinator and agent bank. On September 14, 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 September 26, 2016, the loan has been renewed with a new syndicated loan amounting to 224.5 million US Dollar and 544 million Euros with the interest rate of US Libor + 1.10% and Euribor + 1.00% at a maturity of 367 days with participation of 22 banks, ING Bank, London Branch and National Bank of Abu Dhabi PJSC acting as coordinator and ING Bank, London Branch acting as agent bank.

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

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

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

On 4 October 2016, the Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects. As of December 31, 2016, the sum of the securitization loans amounted to USD 1,544 million and EUR 335 million.

Information on securities issued

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

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

The context of Global Medium Term Notes (GMTN), the Bank has issued 222 private placements with 17 different banks from 2013 June on .This private placements have issued several currencies as of (US Dollar, Euro, Swiss Franc and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. Bank has issued 4,692 million US Dollar private placements as of the date of December 31, 2016. The total private placements are 73.4 million US Dollar as of the same date on.

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

Current Period	TL		FC	
	Short Term	Medium-Long	Short Term	Medium-Long
		Term		Term
Nominal	3,333,301	-	152,903	11,188,895
Cost	3,214,945	-	152,903	11,107,606
Net Book Value	3,268,595	-	154,695	11,284,455

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

4. Components of “other external resources payable” in the financials that comprise at least 20% of the account, if the account exceeds 10% of total liabilities and equity excluding off-balance sheet commitments

Other external resources payable in the financials do not exceed 10% of total liabilities and equity.

5. Information on lease payables (net)

Obligations under financial leasing

None.

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

Negative fair values of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

	Current Period	Prior period
Provisions for loans and receivables in Group I	1,796,316	1,606,200
-Additional provision for loans with extended payment plans	50,986	26,422
Provisions for loans and receivables in Group II	222,879	231,853
-Additional provision for loans with extended payment plans	33,725	21,057
Provisions for non-cash loans	124,718	106,422
Other	23,530	13,128
Total	2,167,443	1,957,603

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 December 31, 2016, TL 374,691 (December 31, 2015: TL 350,227) provision for severance pay and TL 91,322 (December 31, 2015 TL 85,253) provision for unused vacation are stated in financial statements under employee rights provision.

The movement of the retirement pay provision during the period is as below:

	Current Period	Previous Period
Opening balance	350,227	328,246
Current service cost	40,672	31,541
Previous service cost	-	-
Interest cost	33,177	25,920
Paid compensation	(48,357)	(30,875)
Payment/Reduction of benefits/Layoff accordingly composed		
loss/(gain)	1,996	214
Actuary loss/(gain)	(3,024)	(4,819)
Closing balance	374,691	350,227

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Provision for currency exchange loss on foreign currency indexed loans

	Current Period	Prior Period
Provision for currency exchange gain/loss on foreign currency indexed loans	297	17,160

The Bank has recorded provision amounting to TL 297 (December 31, 2015: TL 17,160) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

As of December 31, 2016, Bank has recorded TL 59,816 (December 31, 2015: TL 40,930) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on other provisions exceeding 10% of total provisions

	Current Period	Prior period
Provisions for credits	184,880	182,585
Specific provisions for non-cash loans	59,816	40,930
Provision for cheques	66,959	47,020
Provisions for lawsuits against the Bank	4,755	4,755
Provisions for credit card promotions	9,595	9,100
Other provisions	20,473	6,885
Total	346,478	291,275

Information on provision for probable risks

None.

8. Taxation

Current taxes

Tax provision

As at and for the year ended December 31, 2016, the tax provision was amounted to TL 724,953 (December 31, 2015: TL 403,602). As at December 31, 2016, corporate tax liabilities of the Bank was amounted to TL 576,578 (December 31, 2015: TL 171,734), after deducting prepaid taxes paid during temporary tax periods amounted to TL 148,375 (December 31, 2015: TL 231,868).

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	148,375	231,868
Taxation on securities	151,546	151,721
Capital gains tax on property	2,655	2,451
Taxes on foreign exchange transactions	-	-
Banking and Insurance Transaction Tax (BITT)	91,205	76,418
Value added tax payable	3,616	3,754
Other	24,814	22,168
Total	422,211	488,380

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on premiums payable

	Current Year	Prior Year
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	748	685
Unemployment insurance- employer share	1,497	1,370
Other	-	-
Total	2,245	2,055

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

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

None.

10. Information on subordinated loans

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

The Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 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 5,031,213 as of December 31, 2016 (December 31, 2015: TL 4,169,474).

11. Information on equity

Paid-in capital

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

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

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

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

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

At the resolutions of Board of Directors dated January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, 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 and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

None.

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

No negative impact of the predictions on the Bank's equity is expected in the future.

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	658,258	174,877	571,129	191,529
Fair value differences of available-for-sale securities	(243,814)	27,980	(264,492)	239,608
Foreign exchange differences	80,727	-	92,639	-
Total	495,171	202,857	399,276	431,137

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Period	Prior period
Commitments for credit card limits	8,682,835	7,399,361
Loan granting commitments	9,817,555	8,482,816
Commitments for cheque payments	2,154,102	1,805,569
Asset purchase sale commitments	2,864,752	3,843,373
Other	1,433,858	1,231,793
Total	24,953,102	22,762,912

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

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

The Bank provided specific provision amounting to TL 165,159 (December 31, 2015: TL 97,721) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 59,816 (December 31, 2015: TL 40,930).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final letters of guarantee	11,547,141	9,289,202
Letters of guarantee for advances	4,843,148	3,438,136
Letters of guarantee given to custom offices	1,059,516	1,030,530
Provisional letters of guarantee	994,372	935,981
Other letters of guarantee	13,870,573	12,096,954
Total	32,314,750	26,790,803

2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	2,788,811	2,899,661
<i>With original maturity of 1 year or less</i>	1,126,734	1,176,515
<i>With original maturity of more than 1 year</i>	1,662,077	1,723,146
Other non-cash loans	37,659,613	30,168,700
Total	40,448,424	33,068,361

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

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	81,809	0.30	382,403	2.79	87,249	0.40	132,021	1.20
Farming and Cattle	69,203	0.26	378,930	2.76	82,686	0.37	132,021	1.20
Forestry	11,601	0.04	3,473	0.03	3,528	0.02	-	0.00
Fishing	1,005	0.00	-	0.00	1,035	0.01	-	0.00
Manufacturing	10,907,710	40.79	7,157,290	52.22	9,811,692	44.43	5,696,876	51.86
Mining	1,157,275	4.33	144,199	1.05	1,252,878	5.67	106,628	0.97
Production	6,697,549	25.04	6,606,838	48.21	5,526,001	25.03	5,309,883	48.34
Electric, gas and water	3,052,886	11.42	406,253	2.96	3,032,813	13.73	280,365	2.55
Construction	4,216,428	15.77	2,323,864	16.96	3,374,531	15.28	2,224,897	20.25
Services	9,412,571	35.20	2,601,267	18.98	8,030,112	36.36	2,516,870	22.92
Wholesale and retail trade	4,056,016	15.17	1,556,748	11.36	3,444,760	15.60	1,584,498	14.42
Hotel, food and beverage								
Services	112,775	0.42	378	0.00	110,961	0.50	1,218	0.01
Transportation and telecommunication	1,330,694	4.98	876,095	6.39	1,172,317	5.31	736,976	6.71
Financial institutions	2,492,659	9.32	66,272	0.48	2,090,603	9.47	32,774	0.30
Real estate and renting								
Services	358,074	1.34	28,456	0.21	325,256	1.47	33,663	0.31
Self-employment services	700,053	2.62	66,033	0.48	610,338	2.76	110,414	1.01
Education services	18,627	0.07	1,588	0.01	23,752	0.11	4,018	0.04
Health and social services	343,673	1.28	5,697	0.05	252,125	1.14	13,309	0.12
Other	2,124,938	7.94	1,240,144	9.05	780,253	3.53	413,860	3.77
Total	26,743,456	100.00	13,704,968	100.00	22,083,837	100.00	10,984,524	100.00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	26,226,670	5,579,150	308,947	45,257
Confirmed Bills of Exchange and Acceptances	53,702	1,142,668	-	272
Letters of Credit	1,762	6,887,315	-	16,960
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	20,562	-	-
Non-Cash Loans	26,282,134	13,629,695	308,947	62,489

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

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

5. Information on derivative transactions

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	38,903,748	27,656,170
Currency Forwards	1,609,994	468,760
Currency Swaps	36,420,446	26,673,880
Currency Futures	-	-
Currency Options	873,308	513,530
Interest Rate Derivative Transactions (II)	17,066,824	13,313,758
Interest Rate Forwards	-	-
Interest Rate Swaps	17,066,824	13,313,758
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	11,037,611	8,954,555
A. Total Trading Derivatives (I+II+III)	67,008,183	49,924,483
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	67,008,183	49,924,483

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(Continued)

	December 31, 2016					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	8,008,041	3,889,096	58,635	333,432	-	12,289,204
Sale	5,835,336	3,065,253	57,519	406,566	-	9,364,674
Currency forwards:						
Purchase	88,457	240,192	436,920	39,781	-	805,350
Sale	88,411	240,137	436,440	39,656	-	804,644
Cross currency interest rate swaps:						
Purchase	-	-	826,025	7,055,829	-	7,881,854
Sale	-	-	434,479	6,450,235	-	6,884,714
Interest rate swaps:						
Purchase	-	-	1,231,927	3,384,843	3,916,642	8,533,412
Sale	-	-	1,231,927	3,384,842	3,916,643	8,533,412
Options:						
Purchase	407,926	20,002	-	-	-	427,928
Sale	424,764	20,616	-	-	-	445,380
Other trading derivatives:						
Purchase	70,300	210,900	246,049	1,922,502	1,883,038	4,332,789
Sale	2,700,249	1,037,023	215,525	1,521,775	1,230,250	6,704,822
Total purchases	8,574,724	4,360,190	2,799,556	12,736,387	5,799,680	34,270,537
Total sales	9,048,760	4,363,029	2,375,890	11,803,074	5,146,893	32,737,646
Total	17,623,484	8,723,219	5,175,446	24,539,461	10,946,573	67,008,183
	December 31, 2015					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	9,964,069	3,399,460	150,372	-	-	13,513,901
Sale	4,319,332	3,414,782	150,222	-	-	7,884,336
Currency forwards:						
Purchase	21,330	60,137	107,684	45,556	-	234,707
Sale	21,304	60,054	107,359	45,336	-	234,053
Cross currency interest rate swaps:						
Purchase	-	-	186,709	2,732,075	-	2,918,784
Sale	-	-	120,583	2,236,276	-	2,356,859
Interest rate swaps:						
Purchase	-	-	218,250	2,763,121	3,675,508	6,656,879
Sale	-	-	218,250	2,763,121	3,675,508	6,656,879
Options:						
Purchase	229,308	13,086	8,586	-	-	250,980
Sale	239,124	13,526	9,900	-	-	262,550
Other trading derivatives:						
Purchase	-	-	625,650	-	1,247,145	1,872,795
Sale	5,597,158	-	611,602	-	873,000	7,081,760
Total purchases	10,214,707	3,472,683	1,297,251	5,540,752	4,922,653	25,448,046
Total sales	10,176,918	3,488,362	1,217,916	5,044,733	4,548,508	24,476,437
Total	20,391,625	6,961,045	2,515,167	10,585,485	9,471,161	49,924,483

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

6. Contingent assets and liabilities

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

7. Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term Loans	4,374,026	179,314	3,425,129	131,968
Medium and Long-Term Loans	7,546,973	1,842,032	6,371,936	1,461,460
Non-performing Loans	269,572	-	139,185	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	12,190,571	2,021,346	9,936,250	1,593,428

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of The Republic of Turkey	-	198	-	-
Domestic Banks	867	1,368	1,321	622
Foreign Banks	15	22,584	47	8,632
Foreign Head Office and Branches	-	-	-	-
Total	882	24,150	1,368	9,254

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

Information on interest income received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	-	-	-
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	1,225,597	271,077	1,158,632	235,068
Investments held to maturity	706,281	1,463	655,344	500
Total	1,931,878	272,540	1,813,976	235,568

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	11,011	8,340

2. Interest expense

Interest expense on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	55,610	285,523	25,887	206,469
Central Bank of The Republic of Turkey	-	-	-	-
Domestic Banks	6,481	5,931	7,526	3,084
Foreign Banks	49,129	279,592	18,361	203,385
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	44,617	-	28,480
Total	55,610	330,140	25,887	234,949

Interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	78,418	74,166

Interest expense on securities issued

Interest paid to securities issued as at for the year ended December 31, 2016 is TL 680,296 (December 31, 2015: TL 596,952).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Maturity structure of the interest expense on deposits

Current Period	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	50,936	124,957	-	5,449	12,337	-	193,679
Saving deposits	-	60,356	2,763,745	172,556	29,617	12,540	-	3,038,814
Public sector deposits	22,342	356,076	662,052	62,623	179,128	21,863	-	1,304,084
Commercial deposits	89	416,043	988,249	140,868	15,856	450	-	1,561,555
Other deposits	4	89,305	324,753	91,558	7,164	1,849	-	514,633
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	22,435	972,716	4,863,756	467,605	237,214	49,039	-	6,612,765
<i>FC</i>								
Foreign currency deposits	19,011	25,772	410,652	31,102	16,223	73,236	-	575,996
Interbank deposits	663	1,730	12,364	2,147	1,184	7,060	-	25,148
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	19,674	27,502	423,016	33,249	17,407	80,296	-	601,144
Grand Total	42,109	1,000,218	5,286,772	500,854	254,621	129,335	-	7,213,909

Prior Period	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	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	1,096,447	46,670	14,516	423	-	1,566,864
Other deposits	1	80,376	305,671	27,244	7,628	1,488	-	422,408
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	13,641	868,209	4,134,225	291,270	299,608	28,341	-	5,635,294
<i>FC</i>								
Foreign currency deposits	17,486	37,718	300,390	33,219	18,235	73,191	-	480,239
Interbank deposits	96	93	2,503	308	12,111	366	-	15,477
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	17,582	37,811	302,893	33,527	30,346	73,557	-	495,716
Grand Total	31,223	906,020	4,437,118	324,797	329,954	101,898	-	6,131,010

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

3. Dividend Income

	Current Period	Prior Period
Trading Purpose Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	22,443	89
Associates and Subsidiaries	69,310	62,130
Total	91,753	62,219

4. Information on trading income/losses

	Current Period	Prior Period
Income	5,974,847	3,696,157
Income from capital market operations	85,057	70,988
Income from derivative financial instruments	3,363,168	1,588,784
Foreign exchange gains	2,526,622	2,036,385
Losses	(5,491,034)	(3,596,683)
Loss from capital market operations	(63,221)	(24,861)
Loss from derivative financial instruments	(3,005,327)	(1,601,960)
Foreign exchange loss	(2,422,486)	(1,969,862)
Net trading profit/loss	483,813	99,474

Net income arising from changes in foreign exchange rates that relate to the Bank's foreign exchange rate based derivative financial instruments is amounting to TL 349,745 as at and for the year ended December 31, 2016 (December 31, 2015: TL 15,809 net loss).

5. Information on other operating income

	Current Period	Prior Period
Income from reversal of specific provisions for loans	665,884	760,611
Communication income	40,316	50,723
Gain on sale of the Bank's assets ^(*)	164,709	108,405
Rent income	923	1,308
Other income	82,199	127,231
Total	954,031	1,048,278

(*) The Bank's share of TL 63,687 cash payment due to the Visa Europe Ltd.'s transfer to the Visa Inc. which operates in the same business has been presented in the Gain on sale of the Bank's assets line on the information on other operating income table.

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

6. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions on loans and other receivables	1,935,699	1,030,298
<i>Loans and receivables in Group III</i>	717,481	335,522
<i>Loans and receivables in Group IV</i>	526,966	448,415
<i>Loans and receivables in Group V</i>	691,252	246,361
Non-performing commissions and other receivables	-	-
General provision expenses	213,855	354,951
Provision for possible losses	-	-
Impairment losses on securities:	4,682	3,443
<i>Trading securities</i>	-	-
<i>Investment securities available-for-sale</i>	4,682	3,443
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	25,297	24,337
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	25,297	24,337
Other ^(*)	66,981	124,031
Total	2,246,514	1,537,060

(*) Other provision expenses amounting to TL 66,981 (December 31, 2015: TL 124,031) is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 44,085 (December 31, 2015: TL 41,616) and provision expenses related to retail loans amounting to TL 22,896 (December 31, 2015: TL 82,415)

7. Information on other operating expenses

	Current Period	Prior Period
Personnel Costs	1,488,861	1,380,439
Reserve for Employee Termination Benefits	27,488	26,800
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	6,475
Depreciation Expenses on Tangible Assets	130,200	124,911
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	22,173	17,536
Impairment Losses on Assets to be Disposed	5,278	4,998
Depreciation Expenses on Assets to be Disposed	19,723	15,291
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,560,004	1,363,500
<i>Operational lease expenses</i>	224,714	206,955
<i>Repair and maintenance expenses</i>	47,576	37,476
<i>Advertisement expenses</i>	78,123	74,575
<i>Other expenses</i>	1,209,591	1,044,494
Loss on sale of assets	3,351	1,153
Other ^(*)	578,005	669,080
Total	3,835,083	3,610,183

(*) Other operating expenses amounting to TL 578,005 (December 31, 2015: TL 669,080) is comprised of provision expenses for dividends to the personnel amounting to TL 147,970 (December 31, 2015: TL 144,017), tax, fees and funds expenses amounting to TL 130,750 (December 31, 2015: TL 114,138), "Saving Deposits Insurance Fund" expenses amounting to TL 138,469 (December 31, 2015: TL 115,916) and other operating expenses amounting to TL 160,816 (December 31, 2015: TL 295,009).

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

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

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

9. Information on tax provision from discontinued and continuing operations

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

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

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

11. Provision for taxes

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

In the current period, the Bank has recorded a tax charge of TL 712,424 (December 31, 2015: TL 404,310) from the net taxable profit calculated in accordance the laws and regulations in effect.

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

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

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination / (Reversal) of Deductible Temporary Differences	28,861	(59,941)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(8,919)	(75,933)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	19,942	(135,874)

The table of the tax provision reconciliation for the years December 31, 2016 and December 31, 2015 is as below.

	Current Period	Prior Period
Profit before tax	3,395,524	2,470,293
Additions	1,090,863	1,016,472
Reductions	(172,535)	(966,793)
Other	(694,457)	(505,999)
Basis	3,619,395	2,013,973
Corporate tax rate	20%	20%
Tax calculated	723,879	402,795
Other corrections	(31,397)	137,389
Tax expense	692,482	540,184

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on net profit and loss

The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

The Bank has earned TL 16,557,626 interest income, TL 980,883 net fees and commissions income and incurred TL 9,590,985 interest expenses, from ordinary banking transactions (December 31, 2015: TL 13,630,050 interest income, TL 8,143,569 interest expenses, TL 921,084 net fees and commissions income).

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

None.

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

Banks' other commissions income mainly consists of credit card fee and commissions, transfer commissions and insurance commissions.

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

1. Information on increases of 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:

Valuation Differences of Marketable Securities	Current Period	Prior Period
Valuation differences at the beginning of the year	(24,884)	428,920
Fair value changes in the current year	(231,362)	(611,594)
Valuation differences transferred to the statement of income	(7,326)	44,339
Effect of deferred and corporate taxes	47,738	113,451
Valuation differences at the end of the year	(215,834)	(24,884)

Valuation Difference of the Subsidiaries and Affiliates	Current Period	Prior Period
Valuation differences at the beginning of the year	855,297	788,049
Fair value changes in the current year	57,065	72,012
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	1,500	(4,764)
Valuation differences at the end of the year	913,862	855,297

2. Information on increases in cash flow hedges

None.

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

None.

4. Information on differences in shareholders’ equity accounts due to inflation accounting

In compliance with BRSA’s Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 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 62nd Annual General Assembly held on March 29, 2016, the net profit of the year 2015 which amounts to TL 1,930,109 after deferred tax income deducted is decided to be distributed as legal reserves amounting to TL 193,012, extraordinary reserves amounting to TL 1,635,437, special funds amounting to TL 1,660 and dividends to equity holders of the 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 decrease in the current year. Detailed information about the decreases is explained above in Note 1.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED 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 (2,267,986) (December 31, 2015: TL (2,390,471)) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL 355,962 (December 31, 2015: TL (2,301,550)) under “changes in operating assets and liabilities” is mainly comprised of cash inflows from miscellaneous payables and repurchase agreements.

“Other” item under “net cash flow from investing activities” amounting to TL (44,762) (December 31, 2015: TL (48,222)) 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 December 31, 2016 impact of the exchange rate change on cash and cash equivalents is TL 94,345 (December 31, 2015: TL 12,178).

2. Cash outflows 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 December 31, 2015	Prior Period December 31, 2014
Cash on hand	1,434,849	1,370,759
Cash in TL	1,157,743	1,008,203
Cash in foreign currency	277,106	362,556
Cash equivalents	6,765,575	6,811,710
CBRT	19,834,346	20,440,692
Banks	5,234,266	2,570,620
Receivables from money markets	-	-
Other	215,594	73,528
Loans and advances to banks having maturity of more than 3 months	-	(6,000)
Restricted cash and cash equivalents	(18,518,412)	(16,266,642)
Unrealized foreign exchange rate differences on cash equivalents	(219)	(488)
Total	8,200,424	8,182,469

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED 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

	Current Period December 31, 2016	Prior Period December 31, 2015
Cash on hand	1,785,996	1,434,849
Cash in TL	1,281,047	1,157,743
Cash in foreign currency	504,949	277,106
Cash equivalents	9,322,773	6,765,575
CBRT - Unrestricted demand deposit	22,325,509	19,834,346
Banks	3,890,322	5,234,266
Receivables from money markets	-	-
Other	253,792	215,594
Loans and advances to banks having maturity of more than 3 months	(22,000)	-
Restricted cash and cash equivalents	(17,124,471)	(18,518,412)
Unrealized foreign exchange rate differences on cash equivalents	(379)	(219)
Total	11,108,769	8,200,424

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 16,815,760 as at December 31, 2016 (December 31, 2015: TL 18,441,256) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 308,711 (December 31, 2015: TL 77,156) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. INFORMATION AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP

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

Current Period	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	145,876	955,222	-	28,550	822	15,858
Balance at the end of the period	294,757	1,205,242	-	31,720	37,507	22,446
Interest and commission income	11,011	1,575	-	32	424	105
Prior Period	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	74,105	721,258	-	10,174	6,238	13,087
Balance at the end of the period	145,876	955,222	-	28,550	822	15,858
Interest and commission income	8,340	962	-	29	94	17

Information on deposits held by the Bank's risk group

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	965,832	898,566	740,156	713,966	104,508	115,831
Balance at the end of the period	1,055,694	965,832	977,319	740,156	164,132	104,508
Interest on deposits	78,418	74,166	62,682	45,805	288	1,005

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

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. INFORMATION AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP (Continued)

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

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

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

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

Pricing policy and other conditions of transactions with the risk group of the Bank are determined and applied on arm's length basis. The ratio of cash and non-cash loans given to the Bank's risk group to total cash and non-cash loans are 0.23% (December 31, 2015: 0.12%) and 3.11% (December 31, 2015: 3.02%) respectively.

<u>Current Period</u>	<u>Amount</u>	<u>Compared to financial statement amount (%)</u>
Cash loans	332,264	0.23%
Non-cash loans	1,259,408	3.11%
Deposits	2,197,145	1.77%
Forward and option agreements	-	-

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

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES

Domestic and foreign branches and representative offices

	<u>Number of Branches</u>	<u>Number of Employees</u>	<u>Country</u>	<u>Total Assets</u>	<u>Capital</u>
<u>Domestic Branches^(*)</u>	921	15,574			
<u>Foreign Representative Offices</u>					
<u>Foreign Branches</u>	1	22	USA	5,066,689	57,998
	1	15	Iraq	242,071	24,605
<u>Off-shore Branches</u>	1	4	Bahrain	12,040,864	-

(*) 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 2016, 8 new domestic branches (2015: 27 domestic branches) have been opened and 4 branches have been closed (2015: None).

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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY

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

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

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

February 2017 (*)	Fitch Ratings
Long Term Foreign Currency	BB+
Short Term Foreign Currency	B
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	3
Support Rating Floor	BB+
Viability Note	bb+

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

February 2017 (*)	Standard&Poors
Foreign Currency Counterparty Credit Rating	BB/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	BB/B
Local Currency Outlook	Negative
Turkey National Scale	trAA- / trA-1

(*) Dates represent last report dates.

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OTHER DISCLOSURES (Continued)

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

Vakıfbank bonds of which value date are January 20, 2017 have been issued and offered to public through book-building totally 400 million (Full TL) on January 16-17-18, 2017, amounting TL 300 million (Full TL) with 126 days maturity and maturity date of which is May 26, 2017, amounting TL 100 million (Full TL) with 217 days maturity and maturity date of which is August 25, 2017.

Vakıfbank bond with the ISIN Code TRQVKFB51735 which has 11.2893% annual compound interest, 10.8962% simple interest and issue price was TL 96,375 with amounting TL 313,381,865 (Full TL) with 126 days maturity and maturity date of which is May 26, 2017.

Vakıfbank bond with the ISIN Code TRQVKFB81716 which has 11.3701% annual compound interest, 11.1210% simple interest and issue price was TL 93,798 with amounting TL 20,354,023 (Full TL) with 217 days maturity and maturity date of which is August 25, 2017.

In 2012, the Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased.

In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 227,605,000 which issued abroad, with the new Basel III compliant conditions, was completed on 13 February 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

SECTION SEVEN

I. INDEPENDENT AUDITORS' AUDIT REPORT

1. Information on independent auditor's report

The Bank's unconsolidated financial statements and footnotes as at and for year ended December 31, 2016 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 20, 2017 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank's financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

There are no significant issues and necessary disclosures and footnotes related to the activities of the Bank that are not mentioned in the above sections.

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