

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT JUNE 30, 2019
TOGETHER WITH AUDITOR'S REVIEW REPORT**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of Türkiye Vakıflar Bankası T.A.O.

Introduction

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası T.A.O. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on or review.

Scope of Review

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

Basis for the Qualified Conclusion

As explained in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements; a portion of free provision amounting to TL 113,000 thousand has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying consolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is TL 917,000 thousand as at 30 June 2019.



Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the consolidated financial position of Türkiye Vakıflar Bankası T.A.O. and its consolidated subsidiaries at 30 June 2019 and the consolidated results of its operations and its consolidated cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Eight, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Halûk Yalçın, SMMM
Partner

Istanbul, 9 August 2019

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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The consolidated financial report as at and for the six-month period ended June 30, 2019 prepared in accordance with the "Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

The accompanying consolidated financial statements for the six-month period, related disclosures and footnotes which have been independently reviewed, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidance and in compliance with the financial records of our Bank and unless otherwise stated, presented in thousands of Turkish Lira.

August 9, 2019

Abdülkadir AKSU
Chairman of The Board

Şahap KAVCIOĞLU
Deputy Chairman of the Board and
Committee Member

Serdar TUNÇBİLEK
Board and Audit
Committee Member

Abdi Serdar ÜSTÜNSALİH
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Korhan TURGUT
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

SECTION ONE

GENERAL INFORMATION

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

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“The Bank” or “The Parent Bank”) was established to operate as stated in the disclosure V of this section, under the authorization of a special law numbered 6219, called “the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 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 PARENT BANK’S SHAREHOLDERS STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK’S RISK GROUP

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

As at June 30, 2019 and December 31, 2018, The Parent Bank’s paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank’s shareholders structure as at June 30, 2019 and December 31, 2018 is stated below:

Shareholders – June 30, 2019	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)	2,652,715	2,653	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,535,258	630,535	25.22
Total	2,500,000,000	2,500,000	100.00

Shareholders - December 31,2018	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)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
Total	2,500,000,000	2,500,000	100.00

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

GENERAL INFORMATION (Continued)

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

The changes in the ownership structure of The Parent Bank are arranged by the provisional article of Law No.696, paragraph 6, published in the Official Gazette dated December 24, 2017 numbered 6219, while the other provisions of the Law no 6219 are arranged by the 7th and 12th paragraphs of the mentioned provisional article of Law.

It is stated in the 6th paragraph of the 2nd sub-article of the related article that “In the act of the application to The Parent Bank within the seven days after the effective date of the cabinet decree, by the shareholders of the stocks that are managed and represented by the General Directorate of Foundations, with the exception of that are owned by the appendant foundations among the Group A and Group B stocks of the Bank, the stocks are transferred to the treasury, by taking their per share value into consideration, over the calculated average value of the values that are mentioned in the conclusion sections of the valuation projects that are prepared by three different firms. The absolute amount of the stocks are recorded in the share ledger on behalf of the Undersecretariat of Treasury within the seven days after the effective date of the cabinet decree.”

It is stated in the 6th paragraph of the 3rd sub-article of the related article that “In the act of the application to the Bank within the hundred and twenty days after the effective date of the cabinet decree, by the shareholders of the stocks that are owned by the Vakıfbank Officer and Retainers Retirement and Health Care Foundation (Fund), among the Group C stocks of the Bank, the dependent minister of the Undersecretariat of Treasury has the authority to transfer the stocks over their per share value, that is stated the for the fund, by the Council of Ministers to the Undersecretariat of Treasury.

It is stated in the 6th paragraph of the 4th sub-article of the related article that “In the act of the application to the Bank within the hundred and twenty days after the effective date of the cabinet decree, by the shareholders of the stocks that are owned by the appendant foundations among the Group B stocks of the Bank, and the stocks that are owned by the other natural and legal persons among the Group C stocks of the Bank, the dependent minister of the Undersecretariat of Treasury has the authority to transfer the stocks over their per share value, that is stated the for the fund, by the Council of Ministers.

It is stated in the 6th paragraph of the 5th sub-article of the related article that “The stocks that are transferred to the Treasury, are represented and managed by the dependent Minister of the Undersecretariat of Treasury”.

With the mentioned provisional article, the ownership of the stocks which are represented and managed by the T.C General Directorate for Foundations will be transferred to the Republic of Turkey Ministry of Treasury and Finance.

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
Abdülkadir AKSU	Chairman	May 27, 2019	Bachelor’s	-
Doç.Dr.Şahap KAVCIOĞLU	Deputy Chairman	August 14, 2018	PhD	25 years
Abdi Serdar ÜSTÜNSALİH	Member – General Manager	May 27, 2019	Master’s	28 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	31 years
Dilek YÜKSEL	Member	29 March, 2016	Bachelor’s	7 years
Şahin UĞUR	Member	June 9, 2017	Bachelor’s	33 years
Serdar TUNÇBİLEK	Member	June 9, 2017	Bachelor’s	33 years
Dr.Cemil Ragıp ERTEM	Member	August 13, 2018	PhD	21 years
Sadık YAKUT	Member	May 27, 2019	Bachelor’s	-
<u>Audit Committee</u>				
Doç.Dr.Şahap KAVCIOĞLU	Member	August 14, 2018	PhD	25 years
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	33 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master’s	22 years
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	35 years
<u>Assistant General Managers</u>				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations	June 13, 2006	PhD	23 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	Bachelor’s	24 years
H.Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	Bachelor’s	32 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	23 years
Mikail HİDIR	Credit Risk Planning and Monitoring Evaluation and Rating Credit Risk Liquidation	December 26, 2018	Bachelor’s	15years
Hazım AKYOL	Legal Affairs Corporate Banking Marketing Commercial Banking Marketing Corporate Branches	May 31, 2019	Bachelor’s	25 years
Alaattin ŞİMŞEK	Corporate Loans Allocation and Management SME and Retail Loans Allocation Commercial Loans Allocation	May 31, 2019	Bachelor’s	24 years
Ferkan MERDAN	Application of Credit Policies and Processes Payment Systems, Digital Banking and Distribution Channels	May 31, 2019	Master’s	22 years
Muhammed Onay ÖZKAN	Treasury Management, International Banking and Investor Relations Treasury Middle Office	May 31, 2019	Bachelor’s	18 years

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

GENERAL INFORMATION (Continued)

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

Corporate Communication Chairmanship and Board of Directors Operations Chairmanship Departments of the Parent Bank are working dependent to the General Manager.

Board of Directors membership election of the Parent Bank is renewed every year in the General Meeting.

At the Bank's Board of Directors meeting held on May 27, 2019, in accordance with the relevant articles of the Bank's Articles of Association, Abdülkadir AKSU, Associate Professor Şahap KAVCIOĞLU and Abdi Serdar ÜSTÜNSALİH were elected on unanimous decision as Chairman, Vice Chairman of the Board of Directors and General Manager respectively.

At the Bank's Board of Directors meeting held on May 30, 2019;

- Yakup Şimşek has been resigned from his duty and appointed as Assistant General Manager of Vakıf Faktoring A.Ş.,
- İlker Yeşil has been resigned from his duty and appointed as Assistant General Manager of Taksim Otelcilik A.Ş.,
- Ersin Özoğuz has been resigned from his duty and appointed as Assistant General Manager of Güneş Sigorta A.Ş.,
- Şeyh Mehmet Boz has been resigned from his duty and appointed as Assistant General Manager of Vakıf Gayrimenkul Değerleme A.Ş.,
- Hasan Ecesoy has been resigned from his duty and appointed as Assistant General Manager of Vakıf Yatırım Menkul Değerler A.Ş.,
- Mehmet Emin Karaağaç has been resigned and

As per decision taken on the same date;

- Alaattin Şimşek who served under Bank's General Directorate
- Hazım Akyol who served as the head of Bank's Ankara Main Branch
- Ferkan Merdan who served as the head of Bank's General Accounting and Financial Affairs
- Muhammed Onay Özkan who served as the Bank's head of Treasury Management

appointed as Assistant General Managers.

IV. INFORMATION ON THE PARENT BANK'S QUALIFIED SHAREHOLDERS

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

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

In the section I of the report, under the heading II, the changes in the ownership structure of the Parent Bank is stated with the provisional article of Law No.696, published in the Official Gazette dated December 24, 2017.

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(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 PARENT BANK

The Parent Bank was established under the authorization of special law numbered 6219, called “The Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 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,
- The Bank is established to render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by General Directorate of the Foundations.

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

As at June 30, 2019, The Parent Bank has 948 domestic, 3 foreign, in total 951 branches (December 31, 2018: 948 domestic, 3 foreign, in total 951 branches). As at June 30, 2019, The Parent Bank has 16,754 employees (December 31, 2018: 16,767 employees).

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

As at and for the six-month period ended June 30, 2019, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the six-month period ended June 30, 2019, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ are excluded from the scope of consolidation according to the Communiqué on Preparation of Consolidated Financial Statements. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonel AŞ and Türkiye Ürün İhtisas Borsası A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TFRS-9 in the consolidated financial statements.

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

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT JUNE 30, 2019**

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

ASSETS	Notes	Reviewed Current Period June 30, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		22,280,537	44,654,732	66,935,269	17,935,560	36,769,530	54,705,090
1.1 Cash and cash equivalents	V-I-1	4,294,802	37,398,822	41,693,624	6,029,366	33,165,402	39,194,768
1.1.1 Cash and balances at Central Bank	V-I-1	3,516,700	32,411,723	35,928,423	5,466,368	27,025,089	32,491,457
1.1.2 Banks	V-I-3	765,849	4,987,203	5,753,052	563,482	6,140,626	6,704,108
1.1.3 Receivables from Money Markets		17,534	-	17,534	6,839	-	6,839
1.1.4 Provision for expected credit losses (-)	V-I-16	5,281	104	5,385	7,323	313	7,636
1.2 Financial assets at fair value through profit or loss	V-I-2	446,957	107,726	554,683	147,706	76,799	224,505
1.2.1 Public debt securities		190	7,630	7,820	3,131	7,033	10,164
1.2.2 Equity instruments		2,611	100,096	102,707	2,914	69,766	72,680
1.2.3 Other financial assets		444,156	-	444,156	141,661	-	141,661
1.3 Financial assets at fair value through other comprehensive income	V-I-4	13,414,423	6,329,071	19,743,494	7,727,407	3,145,027	10,872,434
1.3.1 Public debt securities		12,850,786	5,094,779	17,945,565	7,662,348	2,161,026	9,823,374
1.3.2 Equity instruments		138,845	3,796	142,641	-	3,451	3,451
1.3.3 Other financial assets		424,792	1,230,496	1,655,288	65,059	980,550	1,045,609
1.4 Derivative financial assets	V-I-2	4,124,355	819,113	4,943,468	4,031,081	382,302	4,413,383
1.4.1 Derivative financial assets at fair value through profit or loss		4,124,355	819,113	4,943,468	4,031,081	382,302	4,413,383
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		194,209,457	108,472,603	302,682,060	175,129,227	93,496,819	268,626,046
2.1 Loans	V-I-5	170,011,635	93,822,145	263,833,780	150,765,467	83,697,409	234,462,876
2.2 Receivables from leasing transactions	V-I-10	677,737	2,200,260	2,877,997	528,938	2,252,664	2,781,602
2.3 Factoring receivables		2,174,793	145,721	2,320,514	2,537,604	97,705	2,635,309
2.4 Financial assets measured at amortised cost	V-I-6	34,187,201	12,478,333	46,665,534	32,377,288	7,603,222	39,980,510
2.4.1 Public debt securities		34,178,378	12,178,789	46,357,167	32,326,808	7,413,026	39,739,834
2.4.2 Other financial assets		8,823	299,544	308,367	50,480	190,196	240,676
2.5 Allowance for expected credit losses (-)		12,841,909	173,856	13,015,765	11,080,070	154,181	11,234,251
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	V-I-14	2,701,076	-	2,701,076	1,568,113	-	1,568,113
3.1 Held for sale purpose		2,701,076	-	2,701,076	1,568,113	-	1,568,113
3.2 Related to discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,019,834	3	1,019,837	1,125,286	3	1,125,289
4.1 Investments in associates (Net)	V-I-7	699,939	3	699,942	805,406	3	805,409
4.1.1 Associates accounted by using equity method		399,459	-	399,459	363,641	-	363,641
4.1.2 Unconsolidated associates		300,480	3	300,483	441,765	3	441,768
4.2 Investments in subsidiaries (Net)	V-I-8	319,895	-	319,895	319,880	-	319,880
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		319,895	-	319,895	319,880	-	319,880
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	V-I-9	-	-	-	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		3,220,786	11,833	3,232,619	2,832,630	11,876	2,844,506
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		289,931	330	290,261	286,176	335	286,511
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		275,300	330	275,630	271,545	335	271,880
VII. INVESTMENT PROPERTIES (Net)	V-I-12	640,674	-	640,674	607,400	-	607,400
VIII. CURRENT TAX ASSETS		-	-	-	2	-	2
IX. DEFERRED TAX ASSETS	V-I-13	375,867	-	375,867	188,968	-	188,968
X. OTHER ASSETS	V-I-15	7,197,431	8,833,588	16,031,019	6,064,575	8,621,960	14,686,535
TOTAL ASSETS		231,935,593	161,973,089	393,908,682	205,737,937	138,900,523	344,638,460

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT JUNE 30, 2019**

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

	Notes	Reviewed Current Period June 30, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
LIABILITIES							
I. DEPOSITS	V-II-1	115,898,126	101,685,662	217,583,788	108,319,277	74,156,432	182,475,709
II. BORROWINGS	V-II-3	1,936,150	41,246,296	43,182,446	2,639,581	42,793,276	45,432,857
III. MONEY MARKET FUNDS		27,183,181	6,108,134	33,291,315	26,863,700	2,260,172	29,123,872
IV. MARKETABLE SECURITIES ISSUED (Net)	V-II-4	10,555,383	16,984,288	27,539,671	8,111,583	14,660,908	22,772,491
4.1 Bills		5,182,761	-	5,182,761	4,319,247	-	4,319,247
4.2 Asset backed securities		-	-	-	62,960	-	62,960
4.3 Bonds		5,372,622	16,984,288	22,356,910	3,729,376	14,660,908	18,390,284
V. FUNDS		3,054	-	3,054	3,054	-	3,054
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,054	-	3,054	3,054	-	3,054
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	V-II-2	2,812,235	935,370	3,747,605	2,121,617	430,631	2,552,248
7.1 Derivative financial liabilities at fair value through profit or loss		2,812,235	935,370	3,747,605	2,121,617	430,631	2,552,248
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		1,899	10	1,909	903	-	903
IX. LEASE PAYABLES (Net)	V-II-6	862,107	141	862,248	-	-	-
X. PROVISIONS	V-II-8	5,739,985	47,816	5,787,801	5,783,951	44,704	5,828,655
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,011,829	3,675	1,015,504	1,084,477	3,641	1,088,118
10.3 Insurance technical reserves (Net)		3,545,206	17,418	3,562,624	3,428,842	18,220	3,447,062
10.4 Other provisions		1,182,950	26,723	1,209,673	1,270,632	22,843	1,293,475
XI. CURRENT TAX LIABILITIES	V-II-9	953,154	1,296	954,450	855,863	1,301	857,164
XII. DEFERRED TAX LIABILITIES	V-II-9	30,961	26,814	57,775	31,040	681	31,721
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-10	-	-	-	1,546	-	1,546
13.1 Held for sale		-	-	-	1,546	-	1,546
13.2 Related to discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	V-II-11	5,666,267	12,604,099	18,270,366	5,668,121	7,353,902	13,022,023
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		5,666,267	12,604,099	18,270,366	5,668,121	7,353,902	13,022,023
XV. OTHER LIABILITIES	V-II-5	8,577,751	3,458,733	12,036,484	7,926,529	5,503,935	13,430,464
XVI. SHAREHOLDERS' EQUITY	V-II-12	29,828,526	761,244	30,589,770	28,533,753	572,000	29,105,753
16.1 Paid-in capital	V-II-12	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		744,979	-	744,979	815,709	-	815,709
16.2.1 Equity share premiums		724,277	-	724,277	724,276	-	724,276
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		20,702	-	20,702	91,433	-	91,433
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1,622,727	(7,252)	1,615,475	1,617,926	578	1,618,504
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		(103,681)	513,190	409,509	(126,314)	213,595	87,281
16.5 Profit reserves		23,285,277	196,762	23,482,039	18,226,208	19,673	18,245,881
16.5.1 Legal reserves		2,574,317	10,669	2,584,986	2,079,765	10,669	2,090,434
16.5.2 Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3 Extraordinary reserves		20,253,978	182,478	20,436,456	15,689,472	5,389	15,694,861
16.5.4 Other profit reserves		450,645	3,615	454,260	450,634	3,615	454,249
16.6 Profit or loss		1,064,122	12,313	1,076,435	4,850,989	245,715	5,096,704
16.6.1 Prior years' profits or losses		(149,281)	(40,469)	(189,750)	440,987	111,439	552,426
16.6.2 Current period net profit or loss		1,213,403	52,782	1,266,185	4,410,002	134,276	4,544,278
16.7 Minority interests		715,102	46,231	761,333	649,235	92,439	741,674
TOTAL LIABILITIES AND EQUITY		210,048,779	183,859,903	393,908,682	196,860,518	147,777,942	344,638,460

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS
AS AT JUNE 30, 2019**

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

	Notes	Reviewed Current Period June 30, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)	119,031,920	177,741,953	296,773,873	96,501,074	145,965,409	242,466,483
I.	GUARANTEES AND WARRANTIES	38,693,319	33,008,296	71,701,615	37,626,296	28,402,701	66,028,997
1.1.	Letters of guarantee	38,001,216	18,488,774	56,489,990	36,896,905	15,055,991	51,952,896
1.1.1.	Guarantees subject to state tender law	3,250,129	6,616,088	9,866,217	3,807,039	5,902,336	9,709,375
1.1.2.	Guarantees given for foreign trade operations	1,473,398	-	1,473,398	1,314,771	-	1,314,771
1.1.3.	Other letters of guarantee	33,277,689	11,872,686	45,150,375	31,775,095	9,153,655	40,928,750
1.2.	Bank acceptances	9,694	3,377,398	3,387,092	24,005	2,948,104	2,972,109
1.2.1.	Import letter of acceptance	-	296,599	296,599	-	586,987	586,987
1.2.2.	Other bank acceptances	9,694	3,080,799	3,090,493	24,005	2,361,117	2,385,122
1.3.	Letters of credit	113,256	10,836,344	10,949,600	51,010	10,148,777	10,199,787
1.3.1.	Documentary letters of credit	113,256	10,836,344	10,949,600	51,010	10,148,777	10,199,787
1.3.2.	Other letters of credit	-	-	-	-	-	-
1.4.	Pre-financings given as guarantee	-	4,581	4,581	-	4,199	4,199
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Purchase guarantees for securities issued	-	-	-	-	-	-
1.7.	Factoring guarantees	340,646	102,269	442,915	243,674	127,759	371,433
1.8.	Other guarantees	51,562	42,289	93,851	58,309	38,904	97,213
1.9.	Other warranties	176,945	156,641	333,586	352,393	78,967	431,360
II.	COMMITMENTS	41,096,013	29,049,493	70,145,506	38,193,153	27,235,343	65,428,496
2.1.	Irrevocable commitments	36,725,009	2,840,800	39,565,809	33,843,142	2,631,960	36,475,102
2.1.1.	Asset purchase and sales commitments	1,417,779	2,702,206	4,119,985	1,501,627	2,252,627	3,754,254
2.1.2.	Deposit purchase and sales commitments	-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	2,250	-	2,250	2,250	-	2,250
2.1.4.	Loan granting commitments	15,416,257	2,190	15,418,447	14,103,024	2,325	14,105,349
2.1.5.	Securities issuance brokerage commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Commitments for cheque payments	2,520,539	-	2,520,539	1,979,217	-	1,979,217
2.1.8.	Tax and fund liabilities on export commitments	-	-	-	-	-	-
2.1.9.	Commitments for credit card expenditure limits	15,067,069	-	15,067,069	13,549,649	-	13,549,649
2.1.10.	Commitments for credit card and banking services promotions	604,737	-	604,737	571,282	-	571,282
2.1.11.	Receivables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.12.	Payables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	1,696,378	136,404	1,832,782	2,136,093	377,008	2,513,101
2.2.	Revocable commitments	4,371,004	26,208,693	30,579,697	4,350,011	24,603,383	28,953,394
2.2.1.	Revocable loan granting commitments	4,371,004	26,208,693	30,579,697	4,350,011	24,603,383	28,953,394
2.2.2.	Other revocable commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	39,242,588	115,684,164	154,926,752	20,681,625	90,327,365	111,008,990
3.1.	Derivative financial instruments held for hedging purposes	-	-	-	-	-	-
3.1.1.	Fair value hedges	-	-	-	-	-	-
3.1.2.	Cash flow hedges	-	-	-	-	-	-
3.1.3.	Hedging for investments made in foreign countries	-	-	-	-	-	-
3.2.	Trading transactions	39,242,588	115,684,164	154,926,752	20,681,625	90,327,365	111,008,990
3.2.1.	Forward foreign currency purchase and sale transactions	1,639,126	1,840,633	3,479,759	1,201,285	1,543,434	2,744,719
3.2.1.1.	Forward foreign currency purchase transactions	822,874	920,379	1,743,253	602,318	771,805	1,374,123
3.2.2.	Forward foreign currency sales	816,252	920,254	1,736,506	598,967	771,629	1,370,596
3.2.2.	Currency and interest rate swaps	27,650,233	99,170,766	126,820,999	13,620,376	74,478,250	88,098,626
3.2.2.1.	Currency swap purchase transactions	2,055,293	37,580,325	39,635,618	2,515,004	20,334,407	22,849,411
3.2.2.2.	Currency swap sale transactions	21,994,940	15,811,309	37,806,249	7,805,372	10,611,535	18,416,907
3.2.2.3.	Interest rate swap purchase transactions	1,800,000	22,889,566	24,689,566	1,650,000	21,766,154	23,416,154
3.2.2.4.	Interest rate swaps sale transactions	1,800,000	22,889,566	24,689,566	1,650,000	21,766,154	23,416,154
3.2.3.	Currency, interest rate and security options	445,096	1,894,947	2,340,043	697,904	1,784,623	2,482,527
3.2.3.1.	Currency purchase option	319,816	834,428	1,154,244	349,778	865,498	1,215,276
3.2.3.2.	Currency sale option	125,280	1,060,519	1,185,799	348,126	919,125	1,267,251
3.2.3.3.	Interest rate purchase options	-	-	-	-	-	-
3.2.3.4.	Interest rate sale options	-	-	-	-	-	-
3.2.3.5.	Security purchase options	-	-	-	-	-	-
3.2.3.6.	Security sale options	-	-	-	-	-	-
3.2.4.	Currency futures	1,433,824	1,289,641	2,723,465	-	-	-
3.2.4.1.	Currency purchase futures	426,383	878,101	1,304,484	-	-	-
3.2.4.2.	Currency sales futures	1,007,441	411,540	1,418,981	-	-	-
3.2.5.	Interest rate futures	-	-	-	-	-	-
3.2.5.1.	Interest rate purchases futures	-	-	-	-	-	-
3.2.5.2.	Interest rate sales futures	-	-	-	-	-	-
3.2.6.	Other	8,074,309	11,488,177	19,562,486	5,162,060	12,521,058	17,683,118
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	1,767,911,911	1,384,049,408	3,151,961,319	1,560,609,530	1,221,238,103	2,781,847,633
IV.	ITEMS HELD IN CUSTODY	60,335,170	13,852,819	74,187,989	54,906,337	7,564,236	62,470,573
4.1.	Customer fund and portfolio balances	2,040,351	-	2,040,351	1,907,458	-	1,907,458
4.2.	Securities held in custody	42,360,596	5,402,618	47,763,214	37,070,534	395,353	37,465,887
4.3.	Checks received for collection	9,011,504	1,216,008	10,227,512	9,579,919	1,224,880	10,804,799
4.4.	Commercial notes received for collection	5,276,911	1,159,014	6,435,925	4,883,607	1,301,631	6,185,238
4.5.	Other assets received for collection	2,152	230	2,382	2,152	211	2,363
4.6.	Securities received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	132,342	3,901,893	4,034,235	114,532	3,066,202	3,180,734
4.8.	Custodians	1,511,314	2,173,056	3,684,370	1,348,135	1,575,959	2,924,094
V.	PLEDGED ITEMS	514,262,958	228,506,648	742,769,606	428,113,720	204,235,157	632,348,877
5.1.	Marketable securities	373,339	12,446	385,785	355,159	9,824	364,983
5.2.	Guarantee notes	794,822	1,464,274	2,259,096	684,888	1,135,681	1,820,569
5.3.	Commodity	31,769,141	2,538,333	34,307,474	32,405,583	1,711,768	34,117,351
5.4.	Warrant	-	-	-	-	-	-
5.5.	Immovables	419,076,551	181,752,626	600,829,177	341,011,234	163,744,146	504,755,380
5.6.	Other pledged items	61,492,930	42,539,919	104,032,849	52,811,517	37,364,638	90,176,155
5.7.	Depositories receiving pledged items	756,175	199,050	955,225	845,339	269,100	1,114,439
VI.	ACCEPTED GUARANTEES AND WARRANTS	1,193,313,783	1,141,689,941	2,335,003,724	1,077,589,473	1,009,438,710	2,087,028,183
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	1,886,943,831	1,561,791,361	3,448,735,192	1,657,110,604	1,367,203,512	3,024,314,116

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE
SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

	Notes	Reviewed Current Period January 1, 2019- June 30, 2019	Reviewed Current Period April 1, 2019- June 30, 2019	Reviewed Prior Period January 1 2018- June 30 2018	Reviewed Prior Period April 1 2018- June 30 2018
I. INTEREST INCOME	V-IV-1	21,028,965	11,087,988	14,033,899	7,464,887
1.1 Interest on loans	V-IV-1	17,074,308	8,968,489	12,010,624	6,410,664
1.2 Interest received from reserve deposits		204,433	105,323	169,393	93,369
1.3 Interest received from banks	V-IV-1	178,359	85,454	129,687	64,908
1.4 Interest received from money market transactions		1,962	1,241	18,961	14,948
1.5 Interest received from marketable securities portfolio	V-IV-1	3,429,257	1,865,812	1,609,326	839,774
1.5.1 Financial assets at fair value through profit or loss		41,577	30,193	5,984	2,812
1.5.2 Financial assets at fair value through other comprehensive income		990,855	577,162	327,322	164,135
1.5.3 Financial assets measured at amortised cost		2,396,825	1,258,457	1,276,020	672,827
1.6 Finance lease interest income		115,883	59,542	81,812	40,432
1.7 Other interest income		24,763	2,127	14,096	792
II. INTEREST EXPENSES		15,536,474	8,123,718	8,949,950	4,789,434
2.1 Interest on deposits	V-IV-2	9,175,258	4,764,636	5,917,211	3,140,949
2.2 Interest on funds borrowed	V-IV-2	934,836	475,569	630,533	356,826
2.3 Interest on money market transactions		3,358,946	1,764,774	1,197,457	652,371
2.4 Interest on securities issued	V-IV-2	1,957,610	1,071,108	1,184,191	648,296
2.5 Leasing interest income		76,475	40,193	-	-
2.6 Other interest expenses		33,349	7,438	20,558	(9,008)
III. NET INTEREST INCOME/EXPENSE (I - II)		5,492,491	2,964,270	5,083,949	2,675,453
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1,825,074	851,956	883,125	467,341
4.1 Fees and commissions received		2,367,528	1,165,547	1,278,101	689,672
4.1.1 Non-cash loans		348,869	183,026	194,834	102,372
4.1.2 Other		2,018,659	982,521	1,083,267	587,300
4.2 Fees and commissions paid (-)		542,454	313,591	394,976	222,331
4.2.1 Non-cash loans		2,746	1,076	2,774	1,657
4.2.2 Other		539,708	312,515	392,202	220,674
V. DIVIDEND INCOME		8,432	7,095	48,480	4,047
VI. TRADING PROFIT/LOSS (Net)	V-IV-3	(1,063,874)	(1,234,803)	352,941	217,546
6.1 Profit/losses from capital market transactions	V-IV-3	121,141	69,004	58,272	30,423
6.2 Profit/losses from derivative financial transactions	V-IV-3	(1,492,899)	(1,501,823)	238,895	158,380
6.3 Foreign exchange profit/losses	V-IV-3	307,884	198,016	55,774	28,743
VII. OTHER OPERATING INCOME	V-IV-4	3,479,032	1,553,811	1,730,706	386,782
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		9,741,155	4,142,329	8,099,201	3,751,169
IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	3,970,574	1,423,023	1,813,820	512,788
X. OTHER PROVISION EXPENSES (-)	V-IV-5	54,243	20,315	19,088	8,858
XI. PERSONNEL EXPENSES (-)		1,483,825	731,678	1,173,759	571,956
XII. OTHER OPERATING EXPENSES (-)	V-IV-6	2,675,446	1,355,722	2,289,761	1,231,840
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		1,557,067	611,591	2,802,773	1,425,727
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-	-	-
XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		32,422	18,118	28,997	15,052
XVI. NET MONETARY POSITION GAIN/LOSS		-	-	-	-
XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	1,589,489	629,709	2,831,770	1,440,779
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(258,487)	(94,822)	(574,890)	(307,588)
18.1 Current tax provision	V-IV-10	(448,717)	(396,714)	(563,007)	(250,947)
18.2 Expense effect of deferred tax (+)	V-IV-10	(720,419)	(81,678)	(247,152)	(155,766)
18.3 Income effect of deferred tax (-)	V-IV-10	910,649	383,570	235,269	99,125
XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	V-IV-9	1,331,002	534,887	2,256,880	1,133,191
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-	-	-
20.3 Other income from discontinued operations		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-	-	-
21.3 Other expenses from discontinued operations		-	-	-	-
XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current tax provision		-	-	-	-
23.2 Expense effect of deferred tax (+)		-	-	-	-
23.3 Income effect of deferred tax (-)		-	-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV. NET PROFIT/LOSSES (XIX+XXIV)	V-IV-11	1,331,002	534,887	2,256,880	1,133,191
25.1 Group's profit/(loss)		1,266,185	485,730	2,229,462	1,111,784
25.2 Minority shares (-)		64,817	49,157	27,418	21,407
Profit/Loss per 100 shares (full TL)	I-XXIV	0.5065	0.1943	0.8918	0.4447

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

		Reviewed Current Period January 1, 2019- June 30, 2019	Reviewed Prior Period January 1, 2018- June 30, 2018
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
I.	PROFIT (LOSS)	1,331,002	2,256,880
II.	OTHER COMPREHENSIVE INCOME	266,113	173,111
2.1.	Other comprehensive income that will not be reclassified to profit or loss	7,717	376,749
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	14,187	51,412
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(719)	(1,321)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(3,067)	378,177
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(2,684)	(51,519)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	258,396	(203,638)
2.2.1.	Exchange Differences on Translation	94,772	-
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	120,104	(248,302)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	67,188	-
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(23,668)	44,664
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,597,115	2,429,991

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY							Other Accumulated Comprehensive		Other Accumulated Comprehensive Income											
							Income or Expense Not Reclassified through Profit or Loss		or Expense Reclassified through Profit or Loss											
Reviewed	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Shareholders' Equity	Total	Shareholders' Equity	
Current Period June 30, 2019																				
I.	Prior Period End Balance	2,500,000	724,276	-	91,433	1,218,132	(41,357)	441,729	307,342	(117,769)	(102,292)	18,245,881	5,096,704	-	28,364,079	741,674	-	29,105,753		
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	2,500,000	724,276	-	91,433	1,218,132	(41,357)	441,729	307,342	(117,769)	(102,292)	18,245,881	5,096,704	-	28,364,079	741,674	-	29,105,753		
IV.	Total Comprehensive Income	-	-	-	-	10,662	(599)	(13,092)	94,772	160,268	67,188	-	-	1,266,185	1,585,384	11,731	-	1,597,115		
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes	-	1	-	(70,731)	-	-	-	-	-	-	(2,297)	(47,999)	-	(121,026)	7,928	-	(113,098)		
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	5,238,455	(5,238,455)	-	-	-	-	-	-	
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	5,238,455	(5,238,455)	-	-	-	-	-	-	
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Balance (I+II+...X+XI)		2,500,000	724,277	-	20,702	1,228,794	(41,956)	428,637	402,114	42,499	(35,104)	23,482,039	(189,750)	1,266,185	29,828,437	761,333	-	30,589,770		

- Property & Equipment Revaluation Increase/Decrease
- Defined Benefit Pension Plan Remeasurement Gain/Loss
- Other (Accumulated Amount of the Shares Stated as Other Comprehensive Income Not Reclassified Through Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)
- Translation Differences from Foreign Currency Transactions
- Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income
- Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method).

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Other Accumulated Comprehensive Income or Expense Not Reclassified through Profit or Loss			Other Accumulated Comprehensive Income or Expense Reclassified through Profit or Loss			Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity	
Reviewed	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves					
Prior Period June 30, 2018																	
I.	Prior Period End Balance	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	(121,160)	-	14,805,097	3,881,265	-	22,943,968	677,103	23,621,071
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
III.	Adjusted Beginning Balance (I+II)	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	40,476	-	14,805,097	4,387,867	-	23,612,206	677,103	24,289,309
IV.	Total Comprehensive Income	-	-	-	-	14,737	(845)	363,715	-	(207,890)	-	-	-	2,229,462	2,399,179	30,812	2,429,991
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	435	-	435	(15,246)	(14,811)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	125,045	(125,045)	-	-	-	-
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	125,045	(125,045)	-	-	-	-
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance (I+II+...X+XI)		2,500,000	724,269	-	80,404	1,061,693	(29,849)	419,856	-	(167,414)	-	14,930,142	4,263,257	2,229,462	26,011,820	692,669	26,704,489

1. Property & Equipment Revaluation Increase/Decrease
2. Defined Benefit Pension Plan Remeasurement Gain/Loss
3. Other (Accumulated Amount of the Shares Stated as Other Comprehensive Income Not Reclassified Through Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)
4. Translation Differences from Foreign Currency Transactions
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method).

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Reviewed Current Period June 30, 2019	Reviewed Prior Period June 30, 2018
A.	A. CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities (+)	450,716	3,314,014
1.1.1	Interest received (+)	18,742,402	12,669,740
1.1.2	Interest paid (-)	(15,188,258)	(8,382,215)
1.1.3	Dividends received (+)	7,810	-
1.1.4	Fees and commissions received (+)	2,367,528	1,328,199
1.1.5	Other income (+)	674,093	617,546
1.1.6	Collections from previously written off loans and other receivables (+)	1,108,399	993,403
1.1.7	Cash payments to personnel and service suppliers (-)	(1,699,808)	(1,319,133)
1.1.8	Taxes paid (-)	(1,305,108)	(943,251)
1.1.9	Other (+/-)	(4,256,342)	(1,650,275)
1.2	Changes in operating assets and liabilities subject to banking operations	7,048,650	(3,324,238)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)	(293,200)	19,973
1.2.2	Net decrease (increase) in due from banks (+/-)	(132,900)	(2,621,272)
1.2.3	Net decrease (increase) in loans	(27,085,502)	(28,572,774)
1.2.4	Net decrease (increase) in other assets (+/-)	(1,539,940)	593,697
1.2.5	Net increase (decrease) in bank deposits (+/-)	3,301,544	34,908
1.2.6	Net increase (decrease) in other deposits (+/-)	31,824,813	15,458,985
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)	-	-
1.2.8	Net increase (decrease) in funds borrowed (+/-)	(2,056,048)	10,938,168
1.2.9	Net increase (decrease) in matured payables (+/-)	-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)	3,029,883	824,077
I.	Net cash provided from banking operations(+/-)	7,499,366	(10,224)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities(+/-)	(13,733,266)	(4,874,062)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	-	(750)
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	-	-
2.3	Cash paid for the purchase of tangible and intangible asset (-)	(1,090,718)	(229,248)
2.4	Cash obtained from the sale of tangible and intangible asset (+)	230,612	334,779
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)	(9,642,064)	(3,488,312)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)	2,548,376	642,042
2.7	Cash paid for the purchase of financial assets at amortised cost (-)	(6,001,964)	(2,871,107)
2.8	Cash obtained from sale of financial assets at amortised cost (+)	447,853	745,754
2.9	Other (+/-)	(225,361)	(7,220)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flows from financing activities (+/-)	9,165,102	5,650,382
3.1	Cash obtained from funds borrowed and securities issued (+)	18,680,754	10,764,825
3.2	Cash outflow from funds borrowed and securities issued (-)	(9,344,414)	(5,114,443)
3.3	Equity instruments issued (+)	-	-
3.4	Dividends paid (-)	-	-
3.5	Payments for finance lease liabilities (-)	(171,238)	-
3.6	Other (+/-)	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	76,080	(92,230)
V.	Net increase/decrease in cash and cash equivalents (I+II+III+IV)	3,007,282	673,866
VI.	Cash and cash equivalents at beginning of the period (+)	21,379,500	20,110,705
VII.	Cash and cash equivalents at end of the period (V+VI)	24,386,782	20,784,571

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

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**SECTION THREE
ACCOUNTING POLICIES**

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, 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, Turkey Accounting Standard 34 ("TAS 34") and Interim Financial Reporting Standard and Turkish Financial Reporting Standards ("TFRS") enforced by Public Oversight, Accounting and Auditing Standards Authority ("POA") and related appendices and interpretations (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published. The Bank maintains its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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The accounting policies and valuation principles applied in the preparation of the consolidated financial statements have been determined and applied by BRSA in accordance with the regulations, communiqués, explanations and circulars published in accordance with the accounting and financial reporting principles and if no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS. The accounting principles except TFRS 16 impact, are in accordance with used principles in preparation of yearly consolidated financial statement as of December 31, 2018.

The preparation of financial statements according to TFRS requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date and 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.

In accordance with the "Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in the Official Gazette dated February 1, 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

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 consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

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ACCOUNTING POLICIES (Continued)

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

Strategy for the use of financial instruments

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

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

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

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Parent 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 Parent Bank can take various positions on short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Parent Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium between foreign currency denominated assets and liabilities.

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

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

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ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

Foreign exchange differences resulting from amortized costs of foreign currency denominated financial assets at fair value through other comprehensive income are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "Other accumulated comprehensive income or expense to be reclassified through profit or loss" under equity.

As of September 30, 2016 reporting period, the Group started the net investment 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 Parent 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 other accumulated comprehensive income that will be reclassified in profit or loss in equity as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at June 30, 2019 is TL 35,104. 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 June 30, 2019, it was identified that the evaluations that were made about the process to protect from the net investment hedge were effective. Efficiency testing, which is consistent with the Parent 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 Parent 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.

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ACCOUNTING POLICIES (Continued)

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

Consolidated subsidiaries

As at and for the six-month period ended June 30, 2019, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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 authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at June 30, 2019 and December 31, 2018 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

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ACCOUNTING POLICIES (Continued)

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

The liquidation process of World Vakıf Off UBB Ltd., an associate of the Parent Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed. Thus, the company's name has been changed as "World Vakıf UBB Ltd. in Liquidation".

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at June 30, 2019 and December 31, 2018, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the six-month period ended June 30, 2019, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

The derivative transactions mainly consist of currency and interest rate swaps, precious metals swaps, foreign currency forward contracts and currency options. The Parent Bank has classified its derivative transactions, mentioned above, as "Derivative Financial Assets at Fair Value Through Profit or Loss" in accordance with the "TFRS 9 – Financial Instruments".

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.

Derivative transactions are valued at their fair values subsequent to their acquisition and in accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss". The fair value differences of derivative financial instruments are recognized in the income statement.

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ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

Interest income and expenses are recognized using the effective interest method.

Starting from January 1, 2018, the Parent Bank has started accruing interest income on non-performing loans. Net book value of the non-performing loans (Gross Book Value - Expected Credit Loss) are rediscounted through effective interest rate of and recognized through the gross book value of the non performing loan.

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

Fees and commissions other than those that are an integral part of the effective interest rate of financial instruments measured at amortized cost are accounted in accordance with the TFRS 15 "Revenue from Contracts with Customers" standard.

VII. INFORMATION ON FINANCIAL ASSETS

The Parent Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Parent Bank recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by The Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Marketable securities classified as financial assets at fair value through profit or loss are recognized at their fair values.

Financial Assets at Fair Value Through Other Comprehensive Income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial assets with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not designated in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Other accumulated comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in shareholder's equity are reflected to the income statement.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Both "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Group include Consumer Price Indexed (CPI) Bonds. These securities are valued and accounted using the effective interest rate method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months. The Bank also sets the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Derivative Financial Assets

The Group's derivative transactions mainly consist of foreign currency swaps and interest rate swaps, cross currency swaps, currency options and forward foreign currency purchase / sale contracts.

The derivative financial instruments of the Group are classified as Financial assets at fair value through profit and loss in accordance with "TFRS 9 Financial Instruments" (TFRS 9). Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts.

Derivative transactions are valued at their fair values subsequent to their acquisition and in accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss". The fair value differences of derivative financial instruments are recognized in the income statement.

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". Loans of The Parent Bank are retained under the "Measured at Amortized Cost" accounts due to holding loans in scope of a business model for the collection of contractual cash flows and contractual terms of loans that leads to cash flows representing solely payments of principal and interest at certain date.

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS

As of January 1, 2018, the Parent Bank recognizes provisions for expected loss in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated June 22, 2016 numbered 29750. Expected credit loss model is applied to financial assets measured at amortized cost or financial assets at fair value through other comprehensive income (e.g. placements, loans and leasing receivables), loan commitments and financial guarantee contracts.

The expected credit loss estimates are required to be unbiased, probability-weighted, considering the time value of money and including supportable information about past events, current conditions, and forecasts of future economic conditions.

It is possible to perform the expected credit loss calculations in accordance with TFRS 9, with three main parameters for each loan. Exposure at Default (EAD), Loss Given Default (LGD), Probability of Default (PD).

Expected Credit Loss (ECL) Calculation - Input and Forecasting Methodologies

Exposure at Default (EAD): Represents the amount of risk on the default date of the borrower in case of default. According to TFRS 9 in calculating EAD, the estimation of how customer risk rating changes over time is important. Amount of EAD for cash and non-cash loans are calculated in different ways.

Cash loans are divided into two parts as loans with payment plan and loans without payment plan. For loans with payment plan, EAD is calculated by considering the installments to be paid in the future. For cash loans without payment plan, EAD is calculated by keeping credit balance constant. For non-cash loans and limit commitments EAD is calculated by regarding to credit conversion factor and behavioral maturity periods.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Expected Credit Loss (ECL) Calculation - Input and Forecasting Methodologies

Loss Given Default: The ratio that provides the uncollectable amount of the loans in the process after the default. The LGD ratio is the division of the uncollectable amount of a defaulted loan into the defaulted loan amount. This ratio enables to predetermine the risks in the case of default for the active credit portfolio and allows for provision under TFRS 9. In LGD methodology, all non-performing loans amounts and long term collection process has been taken into account and LGD rate is calculated after deducting net collections amounts from the default amount and discounted with effective interest rates or approximate rate over the net amounts with an approximate value.

For corporate and retail portfolios, different LGD calculations are performed. Since the dragging effect, LGD rates in corporate portfolios are considered on customer basis. For retail portfolios, LGD rates are considered on credit basis. In order to differentiate variable risk characteristics in accordance with TFRS 9, individual and corporate segments are divided into its own LGD ratios according to different risk factors.

Probability of Default (PD): Represents the probability of default of the debtor in a defined time lag in the future.

The models used in PD calculations were developed based on historical data on past and quarterly and non-defaultable loans. PD rates used within the scope of TFRS 9 are calculated separately for each rating model and rating information. In this context, firstly, PD rates are calculated from historical data(through the cycle) from this model and rating values, then lifetime default rate curves are created. These lifetime default rate curves provide the following two basic estimation data in the calculation of expected credit losses as follows:

- 12 Months PD ratio: The probability of default within 12 months from the reporting date estimate
- Lifetime PD ratio: Estimation of the probability of default over the expected life of the financial instrument

The models developed under TFRS 9 have detailed segment structures based on corporate and retail portfolios.

While creating the corporate PD rates, the rating values assigned to the customers as of the date of each rating and the customers who default on the corporate side are considered. Retail portfolios are divided into sub-segments according to product groups and lifetime default rate curves vary according to product groups. By taking into account the periodic PD rates, a PD rate scale is generated on the basis of rating and model code through the cycle.

The relation of all risk parameters with macroeconomic conditions has been tested and it has been determined that macroeconomic conditions have an effect on the probability of default. In this context, macroeconomic forecasts are taken into account in changing the probability of default.

Different macroeconomic models have been created for the retail portfolio and commercial portfolio, and macroeconomic forecasts affect the expected loss provision calculations in two separate scenarios, base and bad. The future macroeconomic expectations taken into account into TFRS 9 are in line with the Bank's current budget and ISEDES forecasts.

The Parent Bank reviews and assesses the validity of the risk parameter estimates used in the calculation of expected credit losses within the framework of model verification processes at least twice a year. In this context, models for individual credit card and overdraft accounts were updated in the reporting period.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Macroeconomic forecasts and risk delinquency data used in risk parameter models are re-evaluated every quarter to reflect changes in economic conjuncture and are updated if needed. In the expected credit loss calculations carried out for year-end, macroeconomic information is taken into account under multiple scenarios.

The maximum period to determine the expected credit losses except for demand and revolving loans is up to the contractual life of the financial asset.

Staging

Financial assets are divided into the following three categories based on the increase in the credit risks observed since the initial acquisition:

Stage 1:

Financial assets that do not have a significant increase in the credit risk at the first time they are received in the financial statements or after the first time they are taken to the financial statements. For these assets, credit risk impairment provision is accounted for 12 months expected credit losses. The Parent Bank applies the expected 12-month default probabilities to the estimated default amount and multiplies with the loss given default and downgrades to the present day with the original effective interest rate of the loan. For these assets, an expected 12-month credit loss is recognized and interest income is calculated over the gross carrying amount. 12-month expected credit loss is the loss arising from possible risks in the first 12 months following the reporting date.

Stage 2:

A financial asset is transferred to stage 2 in the event that there is a significant increase in the credit risk after the first time the financial asset is taken in the financial statements. The Parent Bank determines the credit risk impairment provision of the financial asset according to lifetime expected credit loss. Lifetime expected credit losses are credit losses arising from all events that may occur during the expected life of the financial asset. The probability of default, and loss given default are estimated over the life of the loan including the use of multiple scenarios. Expected cash flows are discounted using the original effective interest rate.

Stage 3:

Stage 3 includes financial assets with objective evidence of impairment as of the reporting date. Lifetime expected credit loss is recorded for these assets. The Parent Bank's methodology for loans at this stage is similar to loans classified in Stage 2, but the probability of default is considered 100%. Loss given default is calculated considering the period the loan waits in the non-performing loans and an aging curve formed from the historical data.

Significant Increase in Credit Risk

The Standart requires the assessment of whether there is a significant increase in the credit risk of financial assets by the date of initial recognition based on the information available without excessive effort and cost as of the reporting date. The factors that show a significant increase in credit risk under TFRS 9 are as follows:

Past Due Date; significant increase in the credit risk since the granting date in the case of loans overdue more than 30 days.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Restruction: Classification of financial assets under the stage2 as a result of the emergence of privileges and financial difficulties in the case of restructuring of financial receivables.

Qualitative Criteria: Implementation of set of qualitative criteria set by The Parent Bank in accordance with the information obtained.

Quantitative Criteria: As of the reporting date, the default risk for the borrower and the default risk as of the date of the initial allowance are compared with the change in the grade / score information as a result of the application of statistically determined threshold values.

The Parent Bank has accounted for the effect of applying the new provisions at the date of January 1, 2018 by recording a reversal in the opening records of previous years' profit and loss accounts. The primary impact is due to changes in the allowance for credit losses in accordance with the new impairment provisions and the tax effects of the corresponding provisions.

Default Definition

The Parent Bank takes into account the requirements of TFRS 9 and the relevant BRSA in order to determine the default situation in accordance with the definition of default and its indicators included in the Communiqué on the Calculation of Provisions Regulation and the Amount Based on the Internal Risk Based Approach of the Credit Risk.

In terms of the default definition, the bank has set the following criterias;

- Over 90 days delayed collection of principal and / or interest amount,
- The customer has been bankrupt or has been found to apply for bankruptcy,
- The customer's creditworthiness is impaired,
- It is decided that the principal and / or interest payments of the borrower will be delayed by more than 90 days since the collaterals and / or borrower's own funds are insufficient to cover the payment of the receivables at maturity,
- It is decided that the principal and / or interest payments of the customer will be delayed by more than 90 days due to macroeconomic, sector specific or customer specific reasons.

Write off Policy

According to The Parent Bank's financial asset is completely write-off from The Parent Bank financial statement. If there is a process that the financial asset has reached its default status and does not have any expectation that it will be recovered.

Partial write-off means that it is agreed that a financial asset will be repaid by the debtor at a certain rate and the amount remaining after the payment of such amount is deducted from the financial statements.

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 Parent 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.

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ACCOUNTING POLICIES (Continued)

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements (“repo”) are classified under “Financial Assets at Fair Value through Profit or Loss”, “Financial Assets at Fair Value through Other Comprehensive Income” and/or “Financial Assets Measured at Amortised cost” portfolios according to their holding purposes in The Parent Bank’s portfolio, and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified in balance sheet under “Money Market Funds” and the related interest expenses are accounted on an accrual basis of balance sheet date.

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

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

As per TFRS 5 - “Non-current Assets Held for Sale and Discontinued Operations”, a fixed asset classified as an asset kept for sales purposes (or a group of fixed assets to be disposed of) is measured with either its book value or fair value less costs to sell (with the lower one).

A discontinued operation is a part of the Group’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Group has no discontinued operations.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

The cost of intangible assets is subject to inflation adjustment for the assets that entered into effect before 31 December 2004 from the date when they entered into force, taking into account the period until 31 December 2004, the date when the high inflation period ended, and the entries in the subsequent dates are reflected in the financial statements by taking into consideration the first purchase price. The Parent Bank allocates amortization of intangible assets based on inflation adjusted values using the straight-line method based on the useful lives of the related assets.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 - *Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made. Estimated useful lives of the Group’s intangible assets are 3-15 years, and amortization rates are between 6.67% and 33.33%.

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ACCOUNTING POLICIES (Continued)

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 Group decided to pursue the properties for use according to their fair values in terms of separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after the change in the accounting policy as of 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 is recognized in the income statement of the period.

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

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

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES

The difference between operating leases and financial leases has been eliminated with the "IFRS 16 Leases" effective as of January 1, 2019, and on the transition date, the Group has applied the simplified transition approach and elected not to restate comparative figures.

The Parent Bank started to apply the "IFRS 16 Leases" standard which went into effect on January 1, 2019 to leases of service buildings and car rentals. However ATMs which are determined as low value by the Parent Bank and short term lease contracts with a duration of 12 months or less, have been evaluated within the scope of the exemption granted by the standard. The payments for these contracts are recorded as expense in the period they occurred.

In accordance with "IFRS 16 Leases" standard, the Group calculates the "right to use" amount on the basis of the present value of the lease payments of the fixed asset leased at the beginning of the lease and includes them in "tangible fixed assets". The securities/properties having a right to use were capitalised by showing them under property, plant and equipment. In calculating assets having a right to use, outstanding rent amounts were discounted by a specific rate, considering the remaining term of the lease contract signed with the property owner, to determine net present value.

Instead of recognising leases in the scope of the "IFRS 16 Leases" standard as expenses or prepaid expenses, the Group recognised the total lease liabilities to be paid by the end of the lease contract as "Lease Payables" under liabilities on the balance sheet. Changes that may impact the lease liability are remeasured and included in the balance sheet accounts.

Monthly interest and depreciation are calculated on the net present value based on the period of the lease contract, and are recognised on the income statement.

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

Provisions and contingent liabilities are accounted in accordance with TAS 37 "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

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 GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at June 30, 2019 is TL 6,018 (full TL) (December 31, 2018: TL 5,434 (full TL)).

The Group uses actuarial method to calculate severance indemnity provision in accordance with TAS 19 - Employee Benefits.

Other benefits to employees

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

In accordance with TAS 19, the Bank recognizes actuarial gains and losses generated in related reporting periods in equity.

Pension fund

The employees of the Parent Bank are the members of "Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı" ("the Fund") established on May 15, 1957 as per the temporary article no. 20 of the Social Security Law no. 506.

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ACCOUNTING POLICIES (Continued)

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

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 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. “Council of Ministers” expression in “Council of Ministers is authorized to determine the date of transfer to the Social Security Institution” stated in provisional article 20 of Social Insurance and Universal Health Insurance Law No. 5510 is replaced with the “President” pursuant to the paragraph (I) of Article 203 of Statutory Decree No. 703 promulgated in repeated Official Gazette No. 30473, dated 09 July 2018.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already disclosed in the article of association of the pension fund, to the pension participants and their right owners, even though the salary payment obligation has been transferred to the Social Security 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 regarding December 31, 2018 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at June 30, 2019.

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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. However, the mentioned ratio will be applied as 22% for a period of three years between 2018-2020, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated December 5, 2017. 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 profit from sales of associate shares that held at least 2 years and 50% of the profit from sales of real estates are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for 5 years on a special fund account. The Parent Bank follows these profits in "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity.

50% 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 with the current rate through profit from quarterly period has to be declared on the 14th day and paid until the 17th night of the second following month after the period end. Advance taxes paid during the year are set off on corporate tax which is calculated in yearly corporate tax return for that year. In the case of excess amount of advance tax, the amount can be reimbursed in cash or be set off to 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 cannot be set off from retained earnings.

There is no agreement with the tax authorities about the tax payables in Turkey. Corporate tax return declared until the evening of the last day of the fourth month following the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records within five years and change the tax amount if there is a wrong transaction.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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

North Iraq (Erbil)

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

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

USA (New York)

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

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 December 8, 2004 BRSA.DZM.2/13/1-a-3 notice, there is no deferred tax assets on general provision and free provision. In addition to this, deferred tax asset calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles, beginning from January 1, 2018. Deferred rate calculation for free provisions are not calculated.

Deferred taxes' book value is revised in every balance sheet date. If there is a condition met, where no possible taxable profit could be generated in case of a full or partial deferred tax asset benefit could be enabled by the Parent Bank, the book value of the deferred tax asset will be decreased.

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

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

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 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 EQUIVALENT

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank of 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 Parent Bank provides funding resources such as syndication and securitization transactions in case of need. In the current period, the Parent Bank has started to obtain funds through domestic and international bonds and bills 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 Parent Bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the Parent Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank's outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as "Share Premiums" in shareholders' equity. TL 448,429 of this amount has been utilized in capital increase on 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 June 30, 2019, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 182,977 (December 31, 2018: TL 168,116).

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 which is disclosed in Section 4 Note VII.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the six-month period ended June 30, 2019, earnings per 100 shares are full TL 0.5065 (June 30, 2018: full TL 0.8918).

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.

Insurance operations

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

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

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

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

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions. Mathematical provision also includes the saving portion of the provisions for saving life product.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

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

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

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

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

Individual pension business

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Classifications

In line with “ The Communique on Amending the Communique Regarding Financial Statements to be Disclosed to the Public by Banks, and Relevant Explanations and Notes”, published in Official Gazette No. 30673 dated February 1, 2019, the previous period’s financial statements were changed to match the format of the new financial statements.

Interest expenses from the subordinated debt instruments presented under “Other Interest Expenses” for the period ending June 30, 2018 were reclassified under “Interest Expense on Securities Issued” as of the current period ending June 30, 2019. The income statement for the period ending June 30, 2018 is presented in accordance with the current period.

Explanations on TFRS 16 Standard

TFRS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and to provide them with appropriate information. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements.

The Bank preferred the simplified transition approach and elected not to restate comparative figures and did not make any changes in the comparative tables in the previous period.

The amounts recognized under IFRS 16 as of January 1, 2019 and June 30, 2019 are presented below.

January 1, 2019	Service Buildings	Vehicles	Total
Lease payables	1,245,219	33,559	1,278,778
Deferred rental expenses	476,495	7,471	483,966
Right of use assets	768,724	26,088	794,812

June 30, 2019	Service Buildings	Vehicles	Total
Lease payables	1,353,304	42,763	1,396,067
Deferred rental expenses	528,162	5,657	533,819
Right of use assets	825,142	37,106	862,248

As of January 1, 2019, the reconciliation of the lease obligations accounted under consolidated financial statements according to TFRS 16 is as follows:

	January 1, 2019
Operational Lease Commitments	1,484,959
Commitments exempt from TFRS 16	(206,181)
Total Leasing Liabilities	1,278,778
Discounted Leasing Liabilities (January 1, 2019)	794,811

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SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

Total Capital amount and Capital Adequacy Standard Ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

As of June 30, 2019 Group's equity amount TL 48,160,725 (31 December 2018: TL 41,522,442) and capital adequacy ratio is 16.76% (December 31, 2018: 16.47%).

Information about the consolidated shareholder equity items

Current Period -June 30, 2019	Amount	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	724,277	
Reserves	23,482,039	
Income recognized under equity in accordance with TAS	2,360,621	
Profit	1,076,435	
Current Period's Profit	1,266,185	
Prior Period's Profit	(189,750)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	20,702	
Minority shares	750,993	
Common Equity Tier 1 Capital Before Deductions	30,915,067	
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	335,637	-
Leasehold Improvements on Operational Leases	204,079	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	290,261	290,261
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	829,977	
Common Equity Tier 1 capital (CET1)	30,085,090	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	9,584,770	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	9,584,770	
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	1/1/2014(*)
Current Period -June 30, 2019		
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 (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 Capital (AT1)	9,584,770	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	39,669,860	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,195,634	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	488,644	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	10,340	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,288,529	-
Tier 2 Capital Before Deductions	8,494,503	-
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	8,494,503	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	48,164,363	-
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 (-)	3,638	-
Other items to be defined by the BRSA (-)	-	-
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	48,160,725	-
Total Risk Weighted Amounts	287,386,459	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	10.47	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.80	-
Consolidated Capital Adequacy Ratio (%)	16.76	-
BUFFERS		
Total buffer requirement	3.518	-
a)Capital conservation buffer requirement (%)	2.500	-
b)Bank specific counter-cyclical buffer requirement (%)	0.018	-
c)Systemically important banks buffer requirement (%)	1.000	-
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 (%)	5.97	-
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)	3,620,406	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,288,529	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

(**) According to the "Regulations on Systemically Important Banks" 4th paragraph of Article 4, the "systemically important banks buffer requirement (%)" is to be filled by the systemically important banks that are not obligated to prepare consolidated financial statements and should be reported as zero for by the other banks.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period-December 31, 2018	Amount	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	724,276	
Reserves	18,450,931	
Income recognized under equity in accordance with TAS	1,676,770	
Profit	5,096,704	
Current Period's Profit	4,544,278	
Prior Period's Profit	552,426	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	91,433	
Minority shares	739,167	
Common Equity Tier 1 Capital Before Deductions	29,279,281	
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	176,035	-
Leasehold Improvements on Operational Leases	218,704	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	286,511	286,511
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	681,250	-
Common Equity Tier 1 capital (CET1)	28,598,031	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	4,993,575	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	4,993,575	-
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Prior Period - December 31, 2018		
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 (-)	-	-
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	4,993,575	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	33,591,606	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,010,017	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	-
Tier 2 Capital Before Deductions	2,507	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	2,919,756	-
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	-	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	-	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	7,932,280	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	41,523,886	-
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 (-)	-	-
Other items to be defined by the BRSA (-)	-	-
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	1,444	-
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	-	-
Total Risk Weighted Amounts	-	-
Capital Adequacy Ratios	41,522,442	-
Core Capital Adequacy Ratio (%)	252,126,397	-
Tier 1 Capital Adequacy Ratio (%)	-	-
Capital Adequacy Ratio (%)	11.34	-
BUFFERS	13.32	-
Total buffer requirement (a+b+c)	16.47	-
a) Capital conservation buffer requirement (%)	-	-
b) Bank specific counter-cyclical buffer requirement (%)	2.644	-
c) Systemically important bank buffer requirement (%) (**)	1.875	-
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 (%)	0.019	-
Amounts below deduction thresholds	0.75	-
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	6.84	-
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 tenthousandandtwentyfive limitation)	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	3,126,095	-
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	2,919,756	-
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.

** According to the "Regulations on Systemically Important Banks" 4th paragraph of Article 4, the "systemically important banks buffer requirement (%)" is to be filled by the systemically important banks that are not obligated to prepare consolidated financial statements and should be reported as zero for by the other banks.

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FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - June 30, 2019						
Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB0043	XS1984644812
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
Regulatory treatment	-	-	-	-	-	-
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	488	2,871	1,311	525	4,994	4,591
Par value of instrument (in million)	3,619	2,880	1,311	525	4,994	4,591
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

Current Period - June 30, 2019

Coupons / dividends						
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in a year
Coupon rate and any related index	6% fixed interest rate	6.875% fixed interest rate	8% fixed interest rate	5 years maturity “Indicator Government Debt Security” +350 basis points	12.62% fixed interest rate	5.076% fixed interest rate
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible						
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil	Nil
Write-down feature						
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. BRSA regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.	Available. BRSA regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.
If write-down, full or partial	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent write down feature.	Has permanent write down feature.	Has permanent or temporary write down feature.	Has permanent or temporary write down feature.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism.	Has no write-up mechanism.	Has no write-up mechanism.	Has write-up mechanism.	Has write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

Prior Period - December 31, 2018

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFBA0043
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	651	2,632	1,202	525	4,994
Par value of instrument (in million)	3,365	2,640	1,202	525	4,994
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

Prior Period - December 31, 2018

Coupons / dividends					
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	Fixed interest rate/ Interest payment once in six months
Coupon rate and any related index	6% fixed interest rate	6.875% fixed interest rate	8% fixed interest rate	5 years maturity “Indicator Government Debt Security” +350 basis points	12.62% fixed interest rate
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible					
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil
Write-down feature					
If write-down, write-down trigger(s)	Nil	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Article 7 of the Communiqué on the Regulation on Banks’ Equity and Principles on Borrowing Instruments to be Included in the Banks’ Equity Calculation
If write-down, full or partial	Nil	Has permanent write down feature.	Has permanent write down feature.	Has permanent write down feature.	Has permanent write down feature.
If write-down, permanent or temporary	Not available.	Has no write-up mechanism.	Has no write-up mechanism.	Has no write-up mechanism.	Has write-up mechanism.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism.	Has no write-up mechanism.	Has no write-up mechanism.	Has write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in the Tier 2 capital calculation, after the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	Current Period June 30, 2019	Prior Period December 31, 2018
Shareholders' equity	30,589,770	29,105,753
Leasehold improvements on operational leases	(204,079)	(218,704)
Goodwill and intangible assets, related deferred tax liabilities	(290,261)	(286,511)
General provision (1.25% of the amount that subject to credit risk)	3,288,529	2,919,756
Subordinated debt	14,780,404	10,003,592
Deductions from shareholders' equity	(3,638)	(1,444)
Capital	48,160,725	41,522,442

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

As at June 30, 2019 and December 31, 2018, the Group does not have derivative financial instruments held for hedging purpose.

Foreign exchange risk management policy

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

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

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

	US Dollar	Euro
The Bank's foreign currency purchase rate at the balance sheet date	5.7600	6.5589
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	5.7670	6.5532
Day 2	5.7670	6.5551
Day 3	5.7687	6.5740
Day 4	5.8089	6.6164
Day 5	5.8055	6.5742
	US Dollar	Euro
Last 30-days arithmetical average rate	5.9006	6.6342

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period-June 30,2019	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	16,314,475	11,542,028	4,555,220	32,411,723
Banks	1,850,553	2,968,068	168,582	4,987,203
Financial assets at fair value through profit or loss	-	107,726	-	107,726
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,369,374	1,959,697	-	6,329,071
Loans ⁽¹⁾⁽²⁾	46,867,029	50,918,718	105,211	97,890,958
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	5,120,120	7,358,213	-	12,478,333
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,258	10,575	-	11,833
Intangible assets	330	-	-	330
Other assets ⁽³⁾	3,991,719	5,365,039	2,198	9,358,956
Total assets	78,514,861	80,230,064	4,831,211	163,576,136
<i>Liabilities:</i>				
Bank deposits	1,263,919	5,025,476	914,604	7,203,999
Foreign currency deposits	42,914,529	47,463,002	4,104,132	94,481,663
Interbank money market takings	1,864,092	4,244,042	-	6,108,134
Other funding	18,662,327	22,574,073	9,896	41,246,296
Securities issued ⁽⁴⁾	7,914,917	21,673,470	-	29,588,387
Miscellaneous payables	1,308,876	133,912	3,872	1,446,660
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽⁵⁾	365,400	2,328,205	10,273	2,703,878
Total liabilities	74,294,060	103,442,180	5,042,777	182,779,017
Net 'on balance sheet' position	4,220,801	(23,212,116)	(211,566)	(19,202,881)
Net 'off-balance sheet' position	(2,638,041)	23,353,789	219,823	20,935,571
Derivative assets ⁽⁶⁾	10,118,329	29,411,879	2,044,555	41,574,763
Derivative liabilities ⁽⁶⁾	12,756,370	6,058,090	1,824,732	20,639,192
Non-cash loans	16,190,436	16,385,919	431,941	33,008,296
Prior Period	Euro	US Dollar	Other FC	Total
Total assets	62,455,615	73,341,619	5,752,290	141,549,524
Total liabilities	60,799,734	82,130,493	3,894,501	146,824,728
Net 'on balance sheet' position	1,655,881	(8,788,874)	1,857,789	(5,275,204)
Net 'off-balance sheet' position	(1,126,627)	10,790,769	(1,848,448)	7,815,694
Derivative assets ⁽⁶⁾	12,125,172	36,297,298	1,775,373	50,197,843
Derivative liabilities ⁽⁶⁾	13,251,799	25,506,529	3,623,821	42,382,149
Non-cash loans ⁽⁷⁾	11,249,674	16,729,404	423,623	28,402,701

⁽¹⁾ Foreign currency indexed loans amounting to TL 1,712,771 (December 31, 2018: TL 2,798,062) which are presented in TL column in the balance sheet are included in the table above.

⁽²⁾ Foreign currency indexed factoring receivables amounted to TL 149,247 (December 31, 2018: TL 64,047) presented in TL column in the accompanying consolidated balance sheet are included.

⁽³⁾ Prepaid expenses amounting to TL 172,800 (December 31, 2018: TL 147,130) and derivative financial assets resulting from currency exchange rate discounts amounting to TL 86,171 (December 31, 2018: TL 65,978) are not included.

⁽⁴⁾ Subordinated loans are shown under securities issued.

⁽⁵⁾ Unearned revenues amounting to TL 216,382 (31 December 2018: TL 276,692) , deferred tax liability amounting to TL 26,814 (December 31,2018: TL 681) currency-induced discounts arising from derivatives transactions amounting to TL 76,446 (December 31, 2018: 103,841) TL and equities amounting to TL 938,333 (December 31, 2018: TL 572,000) are not included.

⁽⁶⁾ Asset purchase commitments amounting to TL 1,248,485 (December 31, 2018: TL 795,287) and asset sales commitments amounting to TL 1,453,721 (December 31, 2018: TL 1,457,340) are included.

⁽⁷⁾ Non-cash loans are not taken into consideration in the currency position account.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10% depreciation of the TL against the following currencies as at and for the six-month period ended June 30, 2019 and 2018 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	Current Period – June 30, 2019		Prior Period – June 30, 2018	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	13,110	13,110	126,770	126,770
Euro	158,117	243,613	146,802	(268,124)
Other currencies	826	826	1,675	1,675
Total, net ^(**)	172,053	257,549	275,247	(139,679)

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

^(**) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

10% appreciation of the TL against the following currencies as at and for the six-month period ended June 30, 2019 and 2018 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period - June 30, 2019		Prior Period - June 30, 2018	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(13,110)	(13,110)	(126,770)	(126,770)
Euro	(158,117)	(243,613)	(146,802)	268,124
Other currencies	(826)	(826)	(1,675)	(1,675)
Total, net ^(**)	(172,053)	(257,549)	(275,247)	139,679

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

^(**) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

Current Period- June 30, 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	12,698,546	-	-	-	-	23,229,877	35,928,423
Banks	891,384	642,541	331,402	320,136	-	3,567,589	5,753,052
Financial assets at fair value through profit/loss	192,698	152,612	55,283	2,160	7,517	144,413	554,683
Interbank money market placements	17,534	-	-	-	-	-	17,534
Financial assets at fair value through other comprehensive income	2,066,730	1,258,004	5,445,118	6,026,817	4,804,185	142,640	19,743,494
Loans ^(*)	95,310,376	24,027,122	54,736,754	57,225,616	24,919,936	12,812,487	269,032,291
Financial assets measured at amortized cost	7,851,156	4,369,451	13,898,438	12,724,430	7,822,059	-	46,665,534
Other assets ^(**)	618,105	1,023,922	244,390	2,369,255	762,055	11,195,944	16,213,671
Total assets	119,646,529	31,473,652	74,711,385	78,668,414	38,315,752	51,092,950	393,908,682
<i>Liabilities:</i>							
Bank deposits	6,847,581	2,511,163	263,934	-	-	739,944	10,362,622
Other deposits	121,630,688	32,106,015	12,718,346	1,586,073	24,837	39,155,207	207,221,166
Interbank money market takings	30,015,712	580,261	1,967,487	727,855	-	-	33,291,315
Miscellaneous payables	-	-	-	-	-	8,469,931	8,469,931
Securities issued ^(***)	2,416,792	2,651,383	2,676,653	28,700,273	9,364,936	-	45,810,037
Funds borrowed	2,876,600	24,533,925	10,022,815	3,494,410	1,428,403	826,293	43,182,446
Other liabilities ^(****)	1,180,472	1,619,873	1,511,847	2,501,472	879,275	37,878,226	45,571,165
Total liabilities	164,967,845	64,002,620	29,161,082	37,010,083	11,697,451	87,069,601	393,908,682
On balance sheet long position	-	-	45,550,303	41,658,331	26,618,301	-	113,826,935
On balance sheet short position	(45,321,316)	(32,528,968)	-	-	-	(35,976,651)	(113,826,935)
Off-balance sheet long position	2,131,800	6,320,270	-	872,407	-	-	9,324,477
Off-balance sheet short position	-	-	(3,282,762)	-	(1,812,172)	-	(5,094,934)
Net position	(43,189,516)	(26,208,698)	42,267,541	42,530,738	24,806,129	(35,976,651)	4,229,543

^(*) Non-performing loans are shown in the "Non-Interest Bearing" column.

^(**) Subsidiaries, associates and tangible and intangible assets, deferred tax and expected credit losses are included in "non-interest bearing" column.

^(***) Subordinated debts are shown under securities issued.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period-December 31, 2018	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	10,446,033	-	-	-	-	22,045,424	32,491,457
Banks	3,540,882	598,137	307,355	292,915	-	1,964,819	6,704,108
Financial assets at fair value through profit/loss	36,748	38,616	12,582	24,367	6,931	105,261	224,505
Interbank money market placements	6,839	-	-	-	-	-	6,839
Financial assets at fair value through other comprehensive income	832,803	1,345,230	3,316,167	2,911,635	2,463,148	3,451	10,872,434
Loans ^(*)	98,878,963	15,026,180	37,017,046	53,827,915	20,769,622	14,360,061	239,879,787
Financial assets measured at amortized cost	6,261,935	4,753,806	11,852,582	9,416,963	7,695,224	-	39,980,510
Other assets ^(**)	608,685	1,286,300	331,069	2,001,941	222,357	10,028,468	14,478,820
Total assets	120,612,888	23,048,269	52,836,801	68,475,736	31,157,282	48,507,484	344,638,460
<i>Liabilities:</i>							
Bank deposits	5,059,669	1,394,781	212,887	-	-	397,156	7,064,493
Other deposits	94,731,367	30,193,000	13,141,273	1,690,674	19,820	35,635,082	175,411,216
Interbank money market takings	27,032,125	770,764	196,271	1,124,712	-	-	29,123,872
Miscellaneous payables	-	-	-	-	-	8,028,162	8,028,162
Securities issued ^(***)	2,135,001	1,825,950	4,900,485	18,807,486	8,125,592	-	35,794,514
Funds borrowed	9,556,510	21,644,977	9,030,298	3,217,685	1,551,792	431,595	45,432,857
Other liabilities ^(****)	70,419	548,707	1,132,412	3,303,041	475,888	38,252,879	43,783,346
Total liabilities	138,585,091	56,378,179	28,613,626	28,143,598	10,173,092	82,744,874	344,638,460
On balance sheet long position	-	-	24,223,175	40,332,138	20,984,190	-	85,539,503
On balance sheet short position	(17,972,203)	(33,329,910)	-	-	-	(34,237,390)	(85,539,503)
Off-balance sheet long position	1,298,343	5,660,915	155,265	-	-	-	7,114,523
Off-balance sheet short position	-	-	-	(2,439,725)	(763,794)	-	(3,203,519)
Net position	(16,673,860)	(27,668,995)	24,378,440	37,892,413	20,220,396	(34,237,390)	3,911,004

(*) Non-performing loans are shown in the "Non-Interest Bearing" column.

(**) Subsidiaries, associates and tangible and intangible assets, deferred tax and expected credit losses are included in "non-interest bearing" column.

(***) Subordinated debts are shown under securities issued.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period -June 30,2019	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	2.00	-	13.00
Banks	1.44	2.61	-	24.19
Financial assets at fair value through profit/loss	-	11.82	-	22.02
Interbank money market placements	-	-	-	23.99
Financial assets at fair value through other comprehensive income	4.16	6.98	-	17.28
Loans	5.59	7.87	-	21.66
Financial assets measured at amortized cost	4.62	6.54	-	13.50
Liabilities:				
Bank deposits	0.70	4.01	-	23.11
Other deposits	1.55	3.50	-	20.08
Interbank money market takings	0.88	3.34	-	23.63
Miscellaneous payables	-	-	-	-
Securities issued ^(**)	4.04	6.14	-	17.29
Funds borrowed	2.29	4.71	-	13.18
Prior Period- December 31, 2018				
	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	2.00	-	13.00
Banks	1.57	2.70	-	23.75
Financial assets at fair value through profit/loss	-	11.82	-	19.55
Interbank money market placements	-	-	-	24.28
Financial assets at fair value through other comprehensive income	1.90	6.69	-	16.41
Loans	5.51	8.04	-	21.07
Financial assets measured at amortized cost	5.05	6.62	-	16.49
Liabilities:				
Bank deposits	1.75	4.03	-	23.50
Other deposits	2.23	4.45	-	19.90
Interbank money market takings	1.00	3.43	-	23.68
Miscellaneous payables	-	-	-	-
Securities issued ^(**)	2.93	6.36	-	16.00
Funds borrowed	1.94	4.67	-	17.77

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

^(**) Subordinated debts are shown under securities issued.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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 June 30,2019	Comparison		
	Carrying Value	Fair Value(*)	Market Value(*)
Stock Investments			
Stocks quoted in exchange(*)	388,709	388,709	388,709
1.Stocks Investments Group A	387,527	387,527	387,527
2.Stock Investments Group B	1,182	1,182	1,182
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange(**)	876,476	813,385	-

(*) 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 as at December 31, 2018.

Prior Period December 31, 2018	Comparison		
	Carrying Value	Fair Value(*)	Market Value(*)
Stock Investments			
Stocks quoted in exchange (*)	353,407	353,407	353,407
1.Stocks Investments Group A	352,356	352,356	352,356
2.Stock Investments Group B	1,051	1,051	1,051
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange (**)	848,013	788,230	-

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

Portfolio Current Period-June 30,2019	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in	Total (*)	Included in
			Supplementary Capital		Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	435,704	435,704	-	-
4. Total	-	435,704	435,704	-	-

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED STOCK POSITION RISK (Continued)

Portfolio Prior Period-December 31, 2018	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Supplementa ry Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	438,619	438,619	-	-
4. Total	-	438,619	438,619	-	-

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio Current Period-June 30,2019	Carrying Value	Total RWA(*)	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	388,709	388,709	31,097
3.Other Stocks	876,476	876,476	70,118
4. Total	1,265,185	1,265,185	101,215

Portfolio Prior Period-December 31, 2018	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	353,407	353,407	28,273
3.Other Stocks	848,013	848,013	67,841
4. Total	1,201,420	1,201,420	96,114

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

Liquidity risk is defined as the risk of not fulfilling payment liabilities on time as a result of not having adequate cash or cash inflow to meet the cash outflow properly due to imbalance in cash flows of the Parent Bank. The framework of liquidity risk of the Group 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 Group is managing liquidity risk according to risk capacity and the Group'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 Group monitors the net liquidity position and liquidity requirements continuously and facing the future. The Group takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Group (in consideration of market and funding liquidity) scenario and susceptibility analyses are performed and assumptions based on these analyses are reviewed regularly. It is aimed to protect the optimum liquidity level that can meet short – term liquidity needs not to remain inactive and maintain profitability – risk balance.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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 Parent Bank makes use of liquidity gap analysis and stress tests in internal measurement of liquidity risk. In the 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 the Risk Management Department and measurement results reported regularly to performer units responsible of management of the related risk and top management and the Board of Directors.

It is taken as a basis that the Bank consistently monitors TL and FC liquidity positions and funding strategies. Necessary precautions are taken in line with liquidity needs by following stress circumstances. "Liquidity Emergency Action Plan" which is an important part of liquidity risk management of 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

In accordance with the "Regulation On Calculation of Bank's Liquidity Coverage Ratio", published in Official Gazette no. 28948, dated 21 March 2014, The Parent Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages are calculated monthly related to the last three months. The highest value and lowest value occurred in the prior period are given below:

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	April 2019	98.94	April 2019	328.64
The highest value	May 2019	122.00	May 2019	455.27

Liquidity Coverage Ratio

Current Period-June 30,2019		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			54,973,607	38,087,869
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	110,791,719	52,364,486	9,751,671	5,236,449
3	Stable deposits	26,550,032	-	1,327,502	-
4	Less stable deposits	84,241,687	52,364,486	8,424,169	5,236,449
5	Unsecured wholesale funding, of which:	98,034,831	44,599,598	47,050,458	22,589,938
6	Operational deposits	51,479,802	20,700,465	12,869,951	5,175,116
7	Non-operational deposits	29,788,571	15,544,882	17,483,498	9,125,088
8	Unsecured debt	16,766,458	8,354,251	16,697,009	8,289,734
9	Secured wholesale funding			-	-
10	Additional requirements of which:	23,472,341	7,233,664	23,472,340	7,233,665
11	Outflows related to derivative exposures and other collateral requirements	23,472,341	7,233,664	23,472,340	7,233,665
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	27,773,815	27,001,276	1,388,691	1,350,064
15	Other contingent funding obligations	79,678,689	18,472,063	7,195,281	1,773,439
16	TOTAL CASH OUTFLOWS			88,858,441	38,183,555
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	23,236,423	11,316,766	16,359,082	8,561,549
19	Other cash inflows	23,401,572	22,880,963	23,401,572	22,880,963
20	TOTAL CASH INFLOWS	46,637,995	34,197,729	39,760,654	31,442,512
Upper Limit Applied Values					
21	TOTAL HQLA			54,973,607	38,087,869
22	TOTAL NET CASH OUTFLOWS			49,097,787	9,545,889
23	LIQUIDITY COVERAGE RATIO (%)			112.01	388.09

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

In accordance with the "Regulation On Calculation of Bank's Liquidity Coverage Ratio", published in Official Gazette no. 28948, dated 21 March 2014, The Parent Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages are calculated monthly related to the last three months. The highest value and lowest value occurred in the prior period are given below:

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	October 2018	106.95	November 2018	234.68
The highest value	December 2018	117.88	December 2018	304.93

Liquidity Coverage Ratio

Prior Period-December 31, 2018		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			43,468,473	27,375,648
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	100,957,621	40,735,666	8,788,105	4,073,567
3	Stable deposits	26,153,141	-	1,307,657	-
4	Less stable deposits	74,804,480	40,735,666	7,480,448	4,073,567
5	Unsecured wholesale funding, of which:	83,912,365	30,918,793	39,910,245	15,824,340
6	Operational deposits	42,622,201	12,836,563	10,655,550	3,209,141
7	Non-operational deposits	27,814,918	14,100,576	16,166,214	8,714,234
8	Unsecured debt	13,475,246	3,981,654	13,088,481	3,900,965
9	Secured wholesale funding			-	-
10	Additional requirements of which:	11,035,583	8,865,609	11,035,582	8,865,610
11	Outflows related to derivative exposures and other collateral requirements	11,035,583	8,865,609	11,035,582	8,865,610
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	26,008,917	25,263,488	1,300,446	1,263,174
15	Other contingent funding obligations	77,507,441	20,231,762	6,782,949	1,547,262
16	TOTAL CASH OUTFLOWS			67,817,327	31,573,953
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	27,946,175	15,443,207	19,986,679	12,625,851
19	Other cash inflows	8,769,763	8,282,356	8,769,763	8,282,356
20	TOTAL CASH INFLOWS	36,715,938	23,725,563	28,756,442	20,908,207
Upper Limit Applied Values					
21	TOTAL HQLA			43,468,473	27,375,648
22	TOTAL NET CASH OUTFLOWS			39,060,885	10,665,746
23	LIQUIDITY COVERAGE RATIO (%)			111.88	265.08

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

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V. CONSOLIDATED 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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period – June 30, 2019	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	33,960,768	1,967,655	-	-	-	-	-	35,928,423
Banks	3,567,589	891,384	642,541	331,402	320,136	-	-	5,753,052
Financial assets at fair value through profit/loss	44,317	136,687	122,094	111,678	6,959	32,852	100,096	554,683
Interbank money market placements	-	17,534	-	-	-	-	-	17,534
Financial assets at fair value through other comprehensive	-	282,208	216,476	3,687,450	9,132,041	6,282,679	142,640	19,743,494
Loans	-	21,797,442	7,526,452	50,110,827	108,695,782	68,089,301	12,812,487	269,032,291
Financial assets measured at amortized cost	-	421,840	-	4,393,207	24,221,502	17,628,985	-	46,665,534
Other assets (**)	210,000	2,155,010	185,883	543,542	3,713,906	1,165,151	8,240,179	16,213,671
Total assets	37,782,674	27,669,760	8,693,446	59,178,106	146,090,326	93,198,968	21,295,402	393,908,682
Liabilities:								
Bank deposits	739,944	6,847,581	2,511,163	263,934	-	-	-	10,362,622
Other deposits	40,010,326	121,595,487	32,046,838	11,755,021	1,781,771	31,723	-	207,221,166
Funds borrowed	-	1,877,541	1,105,413	20,219,066	13,369,767	6,610,659	-	43,182,446
Interbank money market takings	-	30,015,712	580,261	1,967,487	727,855	-	-	33,291,315
Securities issued (***)	-	2,263,478	2,250,592	670,464	28,255,769	7,233,059	5,136,675	45,810,037
Miscellaneous payables	4,162	28,863	58,896	28,139	2,012	-	-	8,347,859
Other liabilities	93,052	941,302	2,434,759	1,556,759	436,431	2,426,622	37,682,240	45,571,165
Total liabilities	40,847,484	163,569,964	40,987,922	36,460,870	44,573,605	16,302,063	51,166,774	393,908,682
Liquidity gap	(3,064,810)	(135,900,204)	(32,294,476)	22,717,236	101,516,721	76,896,905	(29,871,372)	-
Net Off Balance Sheet Position	-	(395,966)	(201,664)	224,195	2,708,681	729,236	-	3,064,482
Receivables from Derivative Financial Instruments	-	22,639,694	4,519,608	3,969,572	26,742,743	21,124,000	-	78,995,617
Payables from Derivative Financial Instruments	-	23,035,660	4,721,272	3,745,377	24,034,062	20,394,764	-	75,931,135
Non-cash Loans	40,395,315	2,100,495	4,821,655	13,801,687	7,621,155	2,629,904	331,404	71,701,615
Prior Period – December 31, 2018								
Total assets	31,939,707	29,442,815	10,717,315	46,876,080	122,983,741	80,672,351	22,006,451	344,638,460
Total liabilities	36,813,946	133,090,599	38,824,335	35,796,723	39,635,422	11,437,783	49,039,652	344,638,460
Liquidity gap	(4,874,239)	(103,647,784)	(28,107,020)	11,079,357	83,348,319	69,234,568	(27,033,201)	-
Net Off Balance Sheet Position	-	(18,521)	106,118	396,112	2,851,166	407,765	-	3,742,640
Receivables from Derivative Financial Instruments	-	10,693,888	1,692,537	4,265,904	24,324,945	16,398,541	-	57,375,815
Payables from Derivative Financial Instruments	-	10,712,409	1,586,419	3,869,792	21,473,779	15,990,776	-	53,633,175
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,713,980	7,067,292	1,137,888	433,979	66,028,997

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationery, pre-paid expenses and non-performing loans are shown in this column.

(**) Other active accounts that are required for the continuation of banking activities such as fixed assets, subsidiaries and affiliates, assets held in advance, prepaid expenses and which cannot be converted into cash in a short period of time are presented under “Other Assets”.

(***) Subordinated debts are shown under securities issued.

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VI. CONSOLIDATED LEVERAGE RATIO

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

The Group's consolidated leverage rate which is calculated due to "Regulation on Banks' Measurement and Evaluation of Leverage Level" actualised as 7.82%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2018: 7.50%). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS (1)	344,879,298	318,522,522
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks (1)	240,838	152,878
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(5,805,034)	(4,433,639)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	22,087,741	25,122,669
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	46,101,719	54,283,204
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(158,740,433)	(125,285,736)
Total risk amount	439,205,818	393,163,314

(1) The balances at the end of 31 December 2018 and 30 June 2018 prepared in accordance with Article 5, paragraph 6, of the Communiqué on the Preparation of the Consolidated Financial Statements of the Banks are included.

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

Leverage ratio common disclosure template

	Current Period - June 30, 2019 ^(*)	Prior Period - December 31, 2018 ^(*)
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	395,731,140	341,611,734
2. Assets deducted in determining Basel III Tier 1 capital	(496,417)	(498,291)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	395,234,723	341,113,443
Derivative exposures		
4. Replacement cost	5,360,119	4,856,647
5. Add-on amount	1,464,031	948,387
6. Total derivative exposures	6,824,150	5,805,034
Securities financing transaction exposures		
7. Gross SFT assets (with no recognition of accounting netting)	5,265,286	4,467,510
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	5,265,286	4,467,510
Other off-balance sheet exposures		
10. Off-balance sheet exposures with gross nominal amount	145,823,228	133,891,351
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(50,458,800)	(46,071,519)
12. Total off-balance sheet exposures	95,364,428	87,819,832
Capital and total exposures		
13. Tier 1 capital	39,286,845	32,931,165
14. Total exposures	502,688,587	439,205,819
Leverage ratio		
15. Leverage ratio	7.82	7.50

(*) 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)

VII. CONSOLIDATED SEGMENT REPORTING

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,141,269	11,111,883	5,751,050	24,763	21,028,965
Interest income from loans	4,141,269	10,996,000	1,937,039	-	17,074,308
Interest income from reserve deposits	-	-	204,433	-	204,433
Interest income from securities portfolio	-	-	3,429,257	-	3,429,257
Interest income from banks	-	-	178,359	-	178,359
Interest income from money market transactions	-	-	1,962	-	1,962
Finance Lease Income	-	115,883	-	-	115,883
Other interest income	-	-	-	24,763	24,763
Interest Expense	5,098,775	4,026,777	6,387,871	23,051	15,536,474
Interest expense on deposits	5,098,775	3,719,214	357,269	-	9,175,258
Interest expense on funds borrowed	-	231,088	703,748	-	934,836
Interest expense on money market transactions	-	-	3,358,946	-	3,358,946
Interest expense on securities issued	-	-	1,957,610	-	1,957,610
Interest expense on leases	-	76,475	-	-	76,475
Other interest expenses	-	-	10,298	23,051	33,349
Net Interest Income/Losses(Net)	(957,506)	7,085,106	(636,821)	1,712	5,492,491
Net Fees and Commissions Income	453,215	1,185,368	186,491	-	1,825,074
Trading Income/ Losses (Net)	-	-	(1,063,874)	-	(1,063,874)
Dividend Income	-	-	8,432	-	8,432
Other Income ^(*)	-	-	-	3,479,032	3,479,032
Allowance for Expected Credit Losses	759,063	3,110,735	82,777	17,999	3,970,574
Other Provision Expenses (-)	-	-	54,243	-	54,243
Other Expenses ^(**)	-	-	-	4,159,271	4,159,271
Based on Equity Method	-	-	32,422	-	32,422
Profit Before Taxes	(1,263,354)	5,159,739	(1,610,370)	(696,526)	1,589,489
Provision for taxes	-	-	-	-	(258,487)
Net Profit/ Loss					1,331,002
SEGMENT ASSETS					
Securities Portfolio	-	-	66,963,711	-	66,963,711
Derivative Financial Assets Held for Trading Purpose	-	-	4,943,468	-	4,943,468
Banks and Receivables From Money Markets	-	-	5,770,586	-	5,770,586
Investments in Associates and Subsidiaries	-	-	1,019,837	-	1,019,837
Loans and Receivables	57,862,215	159,381,676	51,788,400	-	269,032,291
Other Assets ^(***)	-	-	29,173,160	17,005,629	46,178,789
TOTAL ASSETS	57,862,215	159,381,676	159,659,162	17,005,629	393,908,682
SEGMENT LIABILITIES					
Deposits	103,875,818	103,345,348	10,362,622	-	217,583,788
Derivative Financial Liabilities Held for Trading Purpose	-	-	3,747,605	-	3,747,605
Interbank Money Market Takings	-	-	33,291,315	-	33,291,315
Funds Borrowed	-	1,603,200	41,579,246	-	43,182,446
Securities Issued ^(****)	-	-	45,810,037	-	45,810,037
Other Liabilities	-	864,157	3,054	12,036,484	12,903,695
Provisions and Tax Liabilities	-	-	-	6,800,026	6,800,026
Equity	-	-	-	30,589,770	30,589,770
TOTAL LIABILITIES AND EQUITY	103,875,818	105,812,705	134,793,879	49,426,280	393,908,682

^(*) TL 838,476 amount of TL 3,479,032 shown in other income consist of acquired insurance premiums, TL 2,186,754 of income from reversal of the specific provisions for loans from prior periods, TL 115,911 of income from the sale of Group's assets, TL 19,929 from communications income, TL 4,575 of leasing income, TL 74,971 of income from private pension activities and the remaining TL 238,416 of other operating income.

^(**) TL 1,483,825 amount of TL 4,159,271 shown in other expenses line consists of personnel expenses, TL 1,466,487 of other operating expenses, TL 241,955 of depreciation expenses, TL 144,698 of dividend reserves expenses to be given to personnel, TL 156,502 of Savings Deposit Insurance Fund (SDIF) expenses, TL 143,251 of taxes and funds expenses, TL 7,423 pension compensations, TL 79,145 from cumulative/noncumulative commission expenses, TL 143,091 from production commission expenses and the remaining TL 292,894 of other expenses.

^(***) Subordinated debts are shown under securities issued.

^(****) Expected Loss provisions are presented under Other Assets.

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VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	3,290,293	7,592,649	3,136,861	14,096	14,033,899
<i>Interest income from loans</i>	3,290,293	7,510,837	1,209,494	-	12,010,624
<i>Interest income from reserve deposits</i>	-	-	169,393	-	169,393
<i>Interest income from securities portfolio</i>	-	-	1,609,326	-	1,609,326
<i>Interest income from banks</i>	-	-	129,687	-	129,687
<i>Interest income from money market transactions</i>	-	-	18,961	-	18,961
<i>Finance Lease Income</i>	-	81,812	-	-	81,812
<i>Other interest income</i>	-	-	-	14,096	14,096
Interest Expense	3,022,971	2,864,627	3,049,428	12,924	8,949,950
<i>Interest expense on deposits</i>	3,022,971	2,706,834	187,406	-	5,917,211
<i>Interest expense on funds borrowed</i>	-	157,793	472,740	-	630,533
<i>Interest expense on money market transactions</i>	-	-	1,197,457	-	1,197,457
<i>Interest expense on securities issued</i>	-	-	1,184,191	-	1,184,191
<i>Interest expense on leases</i>	-	-	-	-	-
<i>Other interest expenses</i>	-	-	7,634	12,924	20,558
Net Interest Income/Losses(Net)	267,322	4,728,022	87,433	1,172	5,083,949
Net Fees and Commissions Income	314,834	474,208	94,083	-	883,125
Trading Income/ Losses (Net)	-	-	352,941	-	352,941
Dividend Income	-	-	48,480	-	48,480
Other Income ^(*)	-	-	-	1,730,706	1,730,706
Allowance for Expected Credit Losses	345,793	1,466,405	1,622	-	1,813,820
Other Provision Expenses	-	-	19,088	-	19,088
Other Expenses ^(**)	-	-	-	3,463,520	3,463,520
Based on Equity Method	-	-	28,997	-	28,997
Profit Before Taxes	236,363	3,735,825	591,224	(1,731,642)	2,831,770
Provision for taxes	-	-	-	-	(574,890)
Net Profit/ Loss					2,256,880
SEGMENT ASSETS					
Securities Portfolio	-	-	51,077,449	-	51,077,449
Derivative Financial Assets Held for Trading Purpose	-	-	4,413,383	-	4,413,383
Banks and Receivables From Money Markets	-	-	6,710,947	-	6,710,947
Investments in Associates and Subsidiaries	-	-	1,125,289	-	1,125,289
Loans and Receivables	51,672,411	129,189,702	47,788,088	-	228,650,201
Other Assets ^(****)	-	-	36,072,874	16,588,317	52,661,191
TOTAL ASSETS	51,672,411	129,189,702	147,188,030	16,588,317	344,638,460
SEGMENT LIABILITIES					
Deposits	92,194,464	83,216,752	7,064,493	-	182,475,709
Derivative Financial Liabilities Held for Trading Purpose	-	-	2,552,248	-	2,552,248
Interbank Money Market Takings	-	-	29,123,872	-	29,123,872
Funds Borrowed	-	3,089,366	42,343,491	-	45,432,857
Securities Issued ^(***)	-	-	35,794,514	-	35,794,514
Other Liabilities	-	903	3,054	13,432,010	13,435,967
Provisions and Tax Liabilities	-	-	-	6,717,540	6,717,540
Equity	-	-	-	29,105,753	29,105,753
TOTAL LIABILITIES AND EQUITY	92,194,464	86,307,021	116,881,672	49,255,303	344,638,460

^(*) TL 669,457 amount of TL 1,730,706 of income from reversal of the provisions for loans from prior periods, TL 698,807 of acquired insurance premiums, TL 94,204 of income from the sale of Group's assets, TL 18,231 of communications income, TL 60,426 of income from private pension activities, TL 50,756 of leasing income and the remaining TL 138,825 of other operating income.

^(**) TL 1,173,710 amount of TL 3,463,520 shown in other expenses line consists of personnel expenses, TL 1,434,084 of other operating expenses, TL 95,920 of depreciation expenses, TL 126,461 of dividend reserves expenses to be given to personnel, TL 93,654 of Savings Deposit Insurance Fund (SDIF) expenses, TL 149,847 of taxes and funds expenses, TL 6,992 pension compensations, TL 51,871 from cumulative/noncumulative commission expenses, TL 123,354 from production commission expenses and the remaining TL 207,627 of other expenses.

^(***) Subordinated loans are shown under securities issued.

^(****) Expected loss provisions are presented under Other Assets.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. 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 Group uses a standardized approach to capital adequacy calculations, there is no disclosure within the scope of the internal rating-based approach.

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period June 30, 2019	Prior Period December 31, 2018	Current Period June 30, 2019
1 Credit Risk (excluding counterparty credit risk) ^(*)	257,251,122	228,487,742	20,580,090
2 Standardised approach	257,251,122	228,487,742	20,580,090
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	5,831,161	5,091,337	466,493
5 Standardised approach for counterparty credit risk	5,831,161	5,091,337	466,493
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	-	1,395	-
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	2,544,302	1,409,588	203,544
17 Standardised approach	2,544,302	1,409,588	203,544
18 Internal model approaches	-	-	-
19 Operational Risk	21,759,874	17,136,335	1,740,790
20 Basic Indicator Approach	21,759,874	17,136,335	1,740,790
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	287,386,459	252,126,397	22,990,917

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

1. Credit Risk Explanations

Credit quality of assets

Current Period - June 30, 2019	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	12,812,487	256,219,804	13,010,510	256,021,781
2 Debt Securities	-	66,406,716	142,032	66,264,684
3 Off-balance sheet exposure	412,620	110,854,804	37,567	111,229,857
4 Total	13,225,107	433,481,324	13,190,109	433,516,322

Prior Period - December 31, 2018	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	11,129,308	228,750,479	11,229,586	228,650,201
2 Debt Securities	-	51,057,422	166,866	50,890,556
3 Off-balance sheet exposure	258,210	102,248,214	26,739	102,479,685
4 Total	11,387,518	382,056,115	11,423,191	382,020,442

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

	Current Period - June 30, 2019
1 Defaulted Loans and debt securities at end of the previous reporting period	11,129,308
2 Loans and debt securities that have defaulted since the last reporting period	2,813,354
3 Returned to non-defaulted status	1,510
4 Amounts written-off	-
5 Other Changes	(1,128,665)
6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)	12,812,487

	Prior Period - December 31, 2018
1 Defaulted Loans and debt securities at end of the previous reporting period	7,943,186
2 Loans and debt securities that have defaulted since the last reporting period	6,649,099
3 Returned to non-defaulted status	6,764
4 Amounts written-off	61,382
5 Other Changes	(3,531,123)
6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)	11,129,308

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

Credit risk mitigation techniques

Current Period - June 30, 2019	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	178,969,720	77,052,061	54,527,253	31,238,974	26,714,927	-	-
2 Debt Securities	66,264,684	-	-	-	-	-	-
3 Total	245,234,404	77,052,061	54,527,253	31,238,974	26,714,927	-	-
4 Of which Defaulted	12,812,487	-	-	-	-	-	-

Prior Period - December 31, 2018	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	157,274,241	71,375,960	53,821,706	27,968,835	25,400,943	-	-
2 Debt Securities	50,890,556	-	-	-	-	-	-
3 Total	208,164,797	71,375,960	53,821,706	27,968,835	25,400,943	-	-
4 Of which Defaulted	11,129,308	-	-	-	-	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Credit risk exposure and credit risk mitigation effects

Current Period - June 30, 2019		Exposures before Credit		Exposures post- Credit		RWA and RWA density	
		Conversion Factors and CRM		Conversion Factors and CRM		RWA	RWA
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Exposures to central governments or central banks	119,030,121	1,465,939	127,396,867	826,884	14,702,418	11.5%
2	Exposures to regional governments or local authorities	10,544,142	730,959	10,544,142	358,717	5,449,113	50.0%
3	Exposures to public sector entities	238,261	239,692	238,261	109,748	340,691	98%
4	Exposures to multilateral development banks	26,875	29,668	26,875	29,668	26,875	48%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	15,188,968	5,027,476	15,188,967	3,161,582	7,392,931	40%
7	Exposures to corporates	115,707,719	92,042,411	107,340,973	35,031,961	139,554,414	98%
8	Retail exposures	58,553,110	32,920,074	58,553,110	3,928,556	46,497,830	74%
9	Exposures secured by residential property	24,308,963	1,006,852	24,308,963	422,282	8,655,936	35%
10	Exposures secured by commercial real estate	28,481,558	3,516,132	28,481,558	2,258,504	19,116,188	62%
11	Past-due loans	3,256,854	-	3,256,854	-	1,898,111	58%
12	Higher-risk categories by the Agency Board	166,721	18,830	166,721	17,102	275,735	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short- term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	14,971,255	-	14,971,255	-	12,078,279	81%
17	Investment in equities	1,262,601	-	1,262,601	-	1,262,601	100%
18	Total	391,737,148	136,998,033	391,737,147	46,145,004	257,251,122	59%

Prior Period - December 31, 2018		Exposures before Credit		Exposures post- Credit		RWA and RWA density	
		Conversion Factors and CRM		Conversion Factors and CRM		RWA	RWA
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Exposures to central governments or central banks	99,341,255	1,476,549	106,749,337	858,056	10,803,563	10.0%
2	Exposures to regional governments or local authorities	9,531,739	714,779	9,531,739	351,798	4,939,919	50.0%
3	Exposures to public sector entities	386,355	342,073	386,355	162,563	522,478	95%
4	Exposures to multilateral development banks	24,044	-	24,044	-	24,044	100%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions and banks	12,604,925	3,091,257	12,604,925	1,918,095	6,174,846	43%
7	Exposures to corporates	102,001,345	87,910,198	94,593,263	32,884,167	125,200,296	98%
8	Retail exposures	50,096,351	29,055,232	50,096,351	3,480,522	39,920,317	75%
9	Exposures secured by residential property	24,221,042	927,883	24,221,042	394,647	8,615,491	35%
10	Exposures secured by commercial real estate	26,166,954	3,311,817	26,166,954	2,098,293	17,522,633	62%
11	Past-due loans	2,862,544	-	2,862,544	-	1,866,824	65%
12	Higher-risk categories by the Agency Board	166,936	1,118	166,936	1,118	252,081	150%
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	1,395	-	1,395	-	1,395	100%
16	Other receivables	14,413,521	-	14,413,521	-	11,446,717	79%
17	Investments in equities	1,198,533	-	1,198,533	-	1,198,533	100%
18	Total	343,016,939	126,830,906	343,016,939	42,149,259	228,489,137	59%

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period - June 30, 2019	Asset Classes/ Risk Weight*	35% (secured by real estate)								Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
		0%	10%	20%	50%	75%	100%	150%	200%		
1	Exposures to central governments or central banks	98,987,411	-	3	29,067,838	-	168,499	-	-	-	128,223,751
2	Exposures to regional governments or local authorities	2,897	-	2,896	10,897,066	-	-	-	-	-	10,902,859
3	Exposures to public sector entities	6,572	-	931	-	-	340,506	-	-	-	348,009
4	Exposures to multilateral development banks	29,668	-	-	-	-	26,875	-	-	-	56,543
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	580,075	-	5,750,780	11,553,836	-	465,858	-	-	-	18,350,549
7	Exposures to corporates	1,124,512	-	299,283	2,909,164	-	138,039,975	-	-	-	142,372,934
8	Retail exposures	331,588	-	208,599	-	61,941,479	-	-	-	-	62,481,666
9	Exposures secured by residential property	-	-	-	24,731,245	-	-	-	-	-	24,731,245
10	Exposures secured by commercial real estate	-	-	-	23,247,747	-	7,492,315	-	-	-	30,740,062
11	Past-due loans	-	-	-	2,751,215	-	471,911	33,728	-	-	3,256,854
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	183,823	-	-	183,823
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	1,262,601	-	-	-	1,262,601
17	Investments in equities	2,430,844	-	577,665	-	-	11,962,746	-	-	-	14,971,255
18	Total	103,493,567	-	6,840,157	24,731,245	80,426,866	61,941,479	160,231,286	217,551	-	437,882,151
Prior Period - December 31, 2018	Asset Classes/ Risk Weight*	35% (secured by real estate)								Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
		0%	10%	20%	50%	75%	100%	150%	200%		
1	Exposures to central governments or central banks	86,144,899	-	-	21,317,862	-	144,632	-	-	-	107,607,393
2	Exposures to regional governments or local authorities	3,666	-	53	9,879,818	-	-	-	-	-	9,883,537
3	Exposures to public sector entities	3,333	-	28,885	-	-	516,700	-	-	-	548,918
4	Exposures to multilateral development banks	-	-	-	-	-	24,044	-	-	-	24,044
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	116,459	-	4,241,469	9,677,074	-	488,018	-	-	-	14,523,020
7	Exposures to corporates	802,081	-	326,966	2,426,959	-	123,921,424	-	-	-	127,477,430
8	Retail exposures	261,402	-	120,518	-	53,194,953	-	-	-	-	53,576,873
9	Exposures secured by residential property	-	-	-	24,615,689	-	-	-	-	-	24,615,689
10	Exposures secured by commercial real estate	-	-	-	21,485,227	-	6,780,020	-	-	-	28,265,247
11	Past-due loans	-	-	-	2,014,166	-	825,654	22,724	-	-	2,862,544
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	168,054	-	-	168,054
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	1,395	-	-	-	1,395
16	Other assets	-	-	-	-	-	1,198,533	-	-	-	1,198,533
17	Investments in equities	2,368,394	-	748,012	-	-	11,297,115	-	-	-	14,413,521
18	Total	89,700,234	-	5,465,903	24,615,689	66,801,106	53,194,953	145,197,535	190,778	-	385,166,198

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

2. Counterparty Credit Risk Explanations

Counterparty credit risk (CCR) approach analysis

Current Period - June 30, 2019		Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk- weighted amounts
1	Fair value method - KKR (for derivatives)	4,862,816	1,322,677			6,185,493	3,164,841
2	Standard approach - KKR (for derivatives) Internal Model Method(for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)	-	-		1.4	-	-
3	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					-	-
4	A comprehensive method for credit risk reduction-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					2,998,150	687,730
5	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					422	211
6						-	-
7	Total						3,852,782

Prior Period - December 31, 2018		Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk- weighted amounts
1	Fair value method - KKR (for derivatives)	4,362,775	866,141			5,228,916	2,750,591
2	Standard approach - KKR (for derivatives) Internal Model Method(for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)	-	-		1.4	-	-
3	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					-	-
4	A comprehensive method for credit risk reduction-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					1,414,385	457,773
5	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					5	1
6						-	-
6	Total						3,208,365

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Capital requirement for credit valuation adjustment (CVA)

Current Period - June 30, 2019		EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	6,185,493	1,975,779
4	Total subject to the CVA capital obligation	6,185,493	1,975,779
Prior Period - December 31, 2018		EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,228,916	1,880,018
4	Total subject to the CVA capital obligation	5,228,916	1,880,018

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights

Current Period Risk Classes / Risk Weights	0%	10%	20%	35% Secured by Real Estate	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	27,671,008	-	2,889	-	151,096	-	-	-	-	76,126
Claims from regional and local governments	2,385	-	106	-	-	-	-	-	-	21
Claims from administration and non commercial entity	2,657	-	-	-	-	-	37,344	-	-	37,344
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	5,614,762	-	6,967,483	-	5,815,697	-	354,420	-	102,431	4,657,814
Corporates	253,040	-	-	-	-	-	1,025,625	-	3,904	1,025,703
Retail portfolios	106,616	-	-	-	-	45,451	-	-	3,268	34,153
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 Receivables	-	-	-	-	-	-	-	-	-	-
Other Assets (**)	-	-	-	-	-	-	-	-	-	-
Total	33,650,468	-	6,970,478	-	5,966,793	45,451	1,417,389	-	109,603	5,831,161

(*) 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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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights (Continued)

Prior Period Risk Classes / Risk Weights	35% Secured by Real Estate									Total Credit Exposures(*)
	0%	10%	20%	50%	75%	100%	150%	Other		
Claims from central governments and central banks	27,818,088	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	2,838	-	165	-	-	-	-	-	-	33
Claims from administration and non commercial entity	2,000	-	-	-	-	116	-	-	-	116
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,042,615	-	3,095,911	-	6,910,724	-	296,662	-	-	4,371,206
Corporates	30,453	-	-	-	-	-	706,524	-	-	706,524
Retail portfolios	1,096	-	-	-	-	17,943	-	-	-	13,457
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 Receivables	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	29,897,090	-	3,096,076	-	6,910,724	17,943	1,003,302	-	-	5,091,336

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

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

Current Period - June 30, 2019	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	-	-	-	-	28,557,679	-
Cash-foreign currency	-	-	-	-	8,195,575	-
Domestic sovereign debts	-	-	-	-	-	16,032
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	36,753,254	16,032

Prior Period - December 31, 2018	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	-	-	-	-	28,667,189	-
Cash-foreign currency	-	-	-	-	2,883,913	-
Domestic sovereign debts	-	-	-	-	-	3,508
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	31,551,102	3,508

Loan Derivatives

Current Period - June 30, 2019	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	633,659	1,267,787
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	633,659	1,267,787
Fair Values	110,346	(356,038)
Positive fair values (asset)	110,346	-
Negative fair values (liability)	-	(356,038)

Prior Period - December 31, 2018	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	190,159	502,138
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	190,159	502,138
Fair Values	33,188	136,768
Positive fair values (asset)	33,188	-
Negative fair values (liability)	-	136,768

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

Current Period - June 30, 2019		Exposure at Default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		2,600
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	465,797	2,192
4	(ii) Exchange-traded Derivatives	102,431	2,049
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	363,366	143
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	150,000	408
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	-	-

Prior Period - December 31, 2018		Exposure at Default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		2,954
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives	162,967	2,588
4	(ii) Exchange-traded Derivatives	116,467	2,329
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	46,500	259
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	150,000	366
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	-	-

3. Explanations on Market Risk

Market Risk- Standardized approach

		Current Period – June 30, 2019	Prior Period – December 31, 2018
		RWA	RAT
Outright products			
1	Interest rate risk (general and specific)	851,100	827,863
2	Stock risk (general and specific)	84,368	13,242
3	Foreign exchange risk	1,608,172	564,944
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	662	3,539
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	2,544,302	1,409,588

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Cash	1,309,023	1,073,796	1,455,938	889,991
Central Bank of the Republic of Turkey (*)	1,790,794	31,092,744	3,393,478	25,750,911
Other	416,883	245,183	616,952	384,187
Total	3,516,700	32,411,723	5,466,368	27,025,089

(*) TL 14,009,310 (December 31, 2018: TL 13,916,246) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

As per Communiqué on Required Reserve of CBRT, required reserve may be kept in TL, USD, EUR and standard gold. CBRT pays interest for required reserve kept in TL and USD.

In accordance with "Announcement on Reserve Deposits" of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 1% to 7% (December 31, 2018: ranging from 1.5% to 8%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 5% to 21% in US Dollar or Euro (December 31, 2018: ranging from 4% to 20%).

Balances with the Central Bank of the Republic of Turkey

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Unrestricted demand deposits	1,685,471	15,115,779	3,278,383	9,268,217
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	1,967,655	-	2,566,448
Reserve Deposits	105,323	14,009,310	115,095	13,916,246
Total	1,790,794	31,092,744	3,393,478	25,750,911

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	79,428	7,630	13,936	6,040
Other	-	-	-	-
Total	79,428	7,630	13,936	6,040

Trading securities subject to repurchase agreements

None.

Positive differences on derivative financial assets

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Forward transactions	27,350	6,689	77,316	7,772
Swap transactions	4,096,849	807,586	3,953,573	370,502
Futures	-	-	-	-
Options	156	4,838	192	4,028
Other	-	-	-	-
Total	4,124,355	819,113	4,031,081	382,302

3. Information on banks

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Banks				
Domestic	764,852	915,537	562,559	1,476,672
Foreign	997	4,071,666	923	4,663,954
Foreign Head Offices and Branches	-	-	-	-
Total	765,849	4,987,203	563,482	6,140,626

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Information on available-for-sale financial assets

Financial assets at fair value through other comprehensive income given as collateral or blocked

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	545,266	1,165,697	91,730	46,690
Other	-	-	-	-
Total	545,266	1,165,697	91,730	46,690

Financial assets at fair value through other comprehensive income subject to repurchase agreements

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Government bonds	2,665,435	-	2,466,748	-
Treasury bills	-	-	-	-
Other debt securities	-	1,507,525	-	29,545
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	2,665,435	1,507,525	2,466,748	29,545

Information on financial assets at fair value through other comprehensive income

	Current Period- June 30, 2019	Prior Period- December 31, 2018
Debt securities	19,739,042	11,045,816
Quoted on a Stock Exchange	19,739,042	11,045,816
Unquoted	-	-
Equity securities	142,791	3,451
Quoted on a Stock Exchange	-	-
Unquoted	142,791	3,451
Provisions for impairment losses (-)	138,339	176,833
Total	19,743,494	10,872,434

5. Information on loans

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

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	70,573	-	44,668
Legal entities	-	70,573	-	44,668
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	260,733	43	173,151	40
Total	260,733	70,616	173,151	44,708

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on loans classified in the first and second group loans and second group loans that have been restructured

Current Period - June 30, 2019

	Loans and other receivables under close monitoring			
	Standard loans	Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
Cash Loans				
Non-specialized loans	223,868,541	12,809,403	1,027,103	13,543,402
Loans given to enterprises	69,604,081	6,058,893	193,396	12,004,752
Export loans	8,969,028	547,843	-	5,045
Import loans	-	-	-	-
Loans given to financial sector	3,510,938	191	-	-
Consumer loans	45,887,357	963,698	20,931	735,201
Credit cards	9,435,721	248,079	88,608	-
Other	86,461,416	4,990,699	724,168	798,404
Specialized lending	-	-	-	-
Other receivables	4,650,704	320,651	-	-
Total	228,519,245	13,130,054	1,027,103	13,543,402

All creditors, including the Parent Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi A.Ş., a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by Levent Yapılandırma Yönetimi as December 21, 2018. The Parent Bank participated in Levent Yapılandırma Yönetimi A.Ş. with a 4.2559% share. Within the scope of Türk Telekom shares being taken over by Levent Yapılandırma A.Ş. and within the framework of the relevant contracts, the Parent Bank has given a loan to Levent Yapılandırma Yönetimi A.Ş., to take over the shares that are warranty to OTAŞ loans, as of June 30, 2019 TL 902,815 (December 31, 2018: TL 788,795) and its provision amount is TL 3,389 (December 31, 2018: TL 4,242).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period - December 31, 2018

	Loans and other receivables under close monitoring			
	<i>Agreement conditions modified</i>			
	Standard loans	Loans not Subject to Restructuring	<i>Loans with Revised Contract Terms</i>	
			Refinance	
Cash Loans				
Non-specialized loans	203,397,535	13,008,000	418,422	6,509,610
Loans given to enterprises	62,713,895	4,834,907	296,800	5,601,462
Export loans	9,570,984	329,254	-	-
Import loans	-	-	-	-
Loans given to financial sector	1,894,558	80,999	-	-
Consumer loans	43,289,478	934,847	27,571	263,256
Credit cards	8,570,846	302,726	70,297	-
Other	77,357,774	6,525,267	23,754	644,892
Specialized lending	-	-	-	-
Other receivables	4,788,389	628,523	-	-
Total	208,185,924	13,636,523	418,422	6,509,610

Current Period - June 30, 2019	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,645,545	-
Significant Increase in Credit Risk	-	1,809,097

Prior Period – December 31, 2018	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,636,242	-
Significant Increase in Credit Risk	-	1,326,580

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)"

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

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

Current Period - June 30, 2019	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	878,001	42,945,012	43,823,013
Housing loans	10,117	18,995,710	19,005,827
Automobile loans	4,666	298,210	302,876
General purpose loans	863,218	23,651,092	24,514,310
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	131	5,011	5,142
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	6	6
Other	131	5,005	5,136
Retail credit cards – TL	7,431,898	91,176	7,523,074
With instalment	3,111,608	85,544	3,197,152
Without instalment	4,320,290	5,632	4,325,922
Retail credit cards – FC	16,352	-	16,352
With instalment	-	-	-
Without instalment	16,352	-	16,352
Personnel loans – TL	12,204	160,532	172,736
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	12,204	160,532	172,736
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	87,440	197	87,637
With instalment	32,721	141	32,862
Without instalment	54,719	56	54,775
Personnel credit cards – FC	360	-	360
With instalment	-	-	-
Without instalment	360	-	360
Overdraft Checking Accounts – TL (Real person)	3,605,981	-	3,605,981
Overdraft Checking Accounts – FC (Real person)	315	-	315
Total	12,032,682	43,201,928	55,234,610

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Consumer loans, retail credit cards, personnel loans and personnel credit cards (Continued)

Prior Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	657,529	40,105,229	40,762,758
Housing loans	8,745	19,349,641	19,358,386
Automobile loans	2,964	320,676	323,640
General purpose loans	645,820	20,434,912	21,080,732
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	5,664	5,664
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,473	2,473
Other	-	3,191	3,191
Retail credit cards – TL	6,728,410	79,894	6,808,304
With instalment	2,623,619	77,718	2,701,337
Without instalment	4,104,791	2,176	4,106,967
Retail credit cards – FC	11,703	-	11,703
With instalment	-	-	-
Without instalment	11,703	-	11,703
Personnel loans – TL	6,900	83,705	90,605
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	6,900	83,705	90,605
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	82,031	282	82,313
With instalment	26,662	272	26,934
Without instalment	55,369	10	55,379
Personnel credit cards – FC	233	-	233
With instalment	-	-	-
Without instalment	233	-	233
Overdraft Checking Accounts – TL (Real person)	3,655,873	-	3,655,873
Overdraft Checking Accounts – FC (Real person)	252	-	252
Total	11,142,931	40,274,774	51,417,705

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Installment based commercial loans and corporate credit cards

Current Period – June 30, 2019	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,592,499	54,453,898	57,046,397
Real estate loans	4,410	903,535	907,945
Automobile loans	88,308	1,483,623	1,571,931
General purpose loans	2,499,781	52,066,740	54,566,521
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	1,074,966	1,074,966
Real estate loans	-	-	-
Automobile loans	-	87,470	87,470
General purpose loans	-	987,496	987,496
Other	-	-	-
Instalment-based commercial loans – FC	268,444	17,931,430	18,199,874
Real estate loans	-	33,684	33,684
Automobile loans	-	16,425	16,425
General purpose loans	243,322	15,716,650	15,959,972
Other	25,122	2,164,671	2,189,793
Corporate credit cards – TL	2,141,459	1,146	2,142,605
With instalment	525,943	1,146	527,089
Without instalment	1,615,516	-	1,615,516
Corporate credit cards – FC	2,380	-	2,380
With instalment	-	-	-
Without instalment	2,380	-	2,380
Overdraft Checking Accounts – TL (Corporate)	1,517,273	-	1,517,273
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	6,522,055	73,461,440	79,983,495

Prior Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,406,196	43,970,768	45,376,964
Real estate loans	6,738	988,053	994,791
Automobile loans	99,511	1,636,908	1,736,419
General purpose loans	1,299,947	41,345,807	42,645,754
Other	-	-	-
Instalment-based commercial loans – FC indexed	18,357	1,479,331	1,497,688
Real estate loans	-	-	-
Automobile loans	-	173,079	173,079
General purpose loans	18,357	1,306,252	1,324,609
Other	-	-	-
Instalment-based commercial loans – FC	87,561	13,748,505	13,836,066
Real estate loans	-	-	-
Automobile loans	-	4,819	4,819
General purpose loans	59,899	11,751,876	11,811,775
Other	27,662	1,991,810	2,019,472
Corporate credit cards – TL	2,038,185	1,412	2,039,597
With instalment	426,295	1,412	427,707
Without instalment	1,611,890	-	1,611,890
Corporate credit cards – FC	1,719	-	1,719
With instalment	-	-	-
Without instalment	1,719	-	1,719
Overdraft Checking Accounts – TL (Corporate)	1,937,485	-	1,937,485
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	5,489,503	59,200,016	64,689,519

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Allocation of domestic and overseas loans (*)

	Current Period - June 30, 2019	Prior Period - December 31, 2018
Domestic loans	254,544,290	227,499,403
Foreign loans	1,675,514	1,251,076
Total	256,219,804	228,750,479

(*) Non-performing loans are not included.

Loans to associates and subsidiaries

	Current Period - June 30, 2019	Prior Period - December 31, 2018
Direct loans to associates and subsidiaries	29	85
Indirect loans to associates and subsidiaries	-	-
Total	29	85

Specific provisions accounted for loans (Stage 3)

	Current Period - June 30, 2019	Prior Period - December 31, 2018
Loans and receivables with limited collectability	491,813	712,622
Loans and receivables with doubtful collectability	1,556,573	1,161,870
Uncollectible loans and receivables	7,507,249	6,392,272
Total	9,555,635	8,266,764

Information on non-performing loans (Net)

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current period - June 30, 2019			
Gross Amounts Before The Reserves	117,525	382,591	411,410
Loans Which Are Restructured	117,525	382,591	411,410
Prior period - December 31, 2018			
Gross Amounts Before The Reserves	96,659	196,424	228,364
Loans Which Are Restructured	96,659	196,424	228,364

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
Current Period - June 30, 2019	Collectability	Collectability	Loans
Balance at the beginning of the period	1,626,189	2,131,185	7,371,934
Additions (+)	2,161,596	217,068	434,691
Transfers from other categories of loans under follow-up (+)	-	3,626,119	1,669,976
Transfers to other categories of loans under follow-up (-) (*)	2,554,356	2,742,562	31,937
Collections (-)	237,512	474,202	396,685
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	142	10,841
Balance at the end of the period	995,917	2,757,750	9,058,820
Provision (-)	491,813	1,556,573	7,507,249
Net balance	504,104	1,201,177	1,551,571

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

	Group III	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
Prior Period – December 31, 2018	Collectability	Collectability	Loans
Balance at the beginning of the period	764,052	874,268	6,304,866
Additions (+)	4,692,167	303,104	1,653,828
Transfers from other categories of loans under follow-up (+)	-	3,832,145	1,867,540
Transfers to other categories of loans under follow-up (-) (*)	3,339,708	2,364,913	19,884
Collections (-)	490,322	513,419	2,403,517
Write-offs (-)	-	-	61,382
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	30,483
Balance at the end of the period	1,626,189	2,131,185	7,371,934
Provision (-)	712,622	1,161,870	6,392,272
Net balance	913,567	969,315	979,662

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - June 30, 2019			
Balance at the end of the period	124,661	446,461	1,002,326
Provision (-)	60,434	249,171	841,870
Net balance on balance sheet	64,227	197,290	160,456
Prior Period - December 31, 2018			
Balance at the end of the period	274,287	155,259	831,298
Specific provision (-)	134,690	73,129	716,577
Net balance on balance sheet	139,597	82,130	114,721

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - June 30, 2019			
Current Period (Net)	504,104	1,201,177	1,551,571
Consumer and Commercial Loans (Gross)	995,905	2,757,664	9,024,191
Specific Provision (-)	491,807	1,556,525	7,472,823
Consumer and Commercial Loans (Net)	504,098	1,201,139	1,551,368
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	12	86	33,078
Specific Provision (-)	6	48	32,875
Other Loans and Receivables (Net)	6	38	203
Prior Period - December 31, 2018			
Prior Period (Net)	913,567	969,315	979,662
Consumer and Commercial Loans (Gross)	1,626,111	2,131,158	7,338,007
Specific Provision (-)	712,576	1,161,855	6,358,552
Consumer and Commercial Loans (Net)	913,535	969,303	979,455
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	78	27	32,376
Specific Provision (-)	46	15	32,169
Other Loans and Receivables (Net)	32	12	207

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period (Net) - June 30, 2019			
Interest accruals and valuation differences	69,738	314,300	356,259
Provision (-)	33,864	174,000	223,277
Prior Period (Net) - December 31, 2018			
Interest accruals and valuation differences	166,028	186,428	62,724
Provision (-)	81,121	101,688	39,017

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Government bonds	34,178,378	5,702,517	32,326,808	4,618,016
Treasury bills	-	-	-	-
Other securities issued by the governments	-	6,476,272	-	2,795,010
Total	34,178,378	12,178,789	32,326,808	7,413,026

Information on financial assets measured at amortized cost

	Current Period - June 30, 2019	Prior Period - December 31, 2018
Debt Securities	46,665,534	39,980,510
Quoted at stock exchanges	46,550,222	39,895,439
Unquoted at stock exchanges	115,312	85,071
Impairment losses (-)	-	-
Total	46,665,534	39,980,510

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The movement table of the financial assets measured at amortised cost

	Current Period - June 30, 2019	Prior Period - December 31, 2018
Balances at the beginning of the period	39,980,510	16,766,071
Foreign currency differences on monetary assets	643,071	1,144,459
Purchases during the period	6,001,964	11,162,210
IFRS 9 Classification (**)	-	7,656,572
Disposals through sales/redemptions	(447,853)	(841,350)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	487,842	4,092,548
Balances at the end of the period	46,665,534	39,980,510

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

(**) As of January 1, 2018, the Parent Bank has applied the transition to the management model for certain government debt securities as a financial asset measured at amortized cost within the transition to TFRS 9. The Parent Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

Information on accounts related to financial assets measured at amortized cost

Current Period-June 30,2019	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	1,059,506	5,640,912	1,220,271	5,690,037
Investments subject to repurchase agreements	20,272,117	6,368,133	25,892,244	6,476,272
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	6,238,199	308,511	7,074,686	312,024
Total	27,569,822	12,317,556	34,187,201	12,478,333

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

Prior Period - December 31, 2018	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	968,955	1,242,128	1,039,484	1,271,158
Investments subject to repurchase agreements	20,940,509	2,784,222	26,200,441	2,829,368
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	4,309,457	3,444,925	5,137,363	3,502,696
Total	26,218,921	7,471,275	32,377,288	7,603,222

(*) 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 THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Investments in associates

Unconsolidated investments in associates

	Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/ Turkey	9.93	9.93
2	Bankalararası Kart Merkezi AŞ	İstanbul/ Turkey	9.70	9.70
3	KKB Kredi Kayıt Bürosu AŞ	İstanbul/ Turkey	9.09	9.09
4	Güçbirliği Holding AŞ	İzmir/ Turkey	0.07	0.07
5	İzmir Enternasyonel Otelcilik AŞ (*)	İstanbul/ Turkey	5.00	5.00
6	İstanbul Takas ve Saklama Bankası AŞ (*)	İstanbul/ Turkey	4.37	4.37
7	Kredi Garanti Fonu AŞ	Ankara/ Turkey	1.49	1.49
8	Tasfiye Halinde World Vakıf UBB Ltd. (*)	Lefkoşa/TRNC	82.00	83.46

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	7,279,949	1,549,488	1,235,564	19,798	-	52,038	42,089	3,813,996
2	126,652	82,384	59,192	2,251	-	17,418	4,066	-
3	321,197	213,805	233,553	5,920	-	16,401	23,681	-
4	146,546	(91,617)	88,098	1	-	(16,451)	(26,388)	-
5	138,754	(112,567)	79,986	-	-	(17,400)	(7,340)	-
6	17,907,002	7,207,783	122,207	208,121	383	124,810	90,884	-
7	741,430	605,808	20,607	27,171	-	74,723	64,883	-
8	1,170	(208,532)	-	45	-	(170)	(3,559)	-

(*) The financial statement information provided for these associates is taken from the financial statements dated March 31, 2019.

In the current period, decision has been made to increase the capital of the Bank from TL 318,281 to TL 497,817 at the Board of Directors meeting of Kredi Garanti Fonu AŞ. The shares amounting to TL 2,762 are shown in Bonus Shares Issued. In addition, the Bank's Board of Directors has decided to increase the capital to TL 513,134 as of 08 April 2019. The capital increase was realized with the participation of two new shareholders, the Bank's share amount remained unchanged and the share ratio decreased from 1.54% to 1.49%.

In the prior period, Roketsan Roket Sanayii ve Ticaret A.Ş is reflected in the financial statement through fair value, and valuation difference between the cost value and the fair value of TL 374,215 is presented in the revaluation increases line in the movement table of investments in affiliates.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 23, 2018. The share of the Bank amounting to TL 33,510 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 Bankalararası Kart Merkezi AŞ from TL 14,000 to TL 30,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Bank amounting to TL 1,551 is presented in the movement table of investments in associates as bonus shares received.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to 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 affiliates”. 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”.

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

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

Consolidated investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	1,381,032	88,872	7,897	74,863	3,486	1,196	14,512	-
2	41,969,107	4,609,217	1,011,028	1,451,965	349,430	384,955	323,495	2,104,967

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 23, 2018. The share of the Bank amounting to TL 33,510 is presented in the movement table of investments in associates as bonus shares received.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movement of consolidated investments in associates

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Balance at the beginning of the period	196,867	302,959
Movements during the period	(9,852)	(106,092)
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	33,510
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	-	-
Impairment losses	(9,852)	(139,602)
Balance at the end of the period	187,015	196,867
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Banks	187,015	196,867
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	187,015	196,867

Quoted associates

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Quoted at domestic stock exchanges	176,396	186,248
Quoted at international stock exchanges	-	-
Total	176,396	186,248

Investments in associates disposed during the period

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

Subsidiaries purchased in the current period

In the prior period, the Parent Bank has participated in Türkiye Ürün İhtisas Borsası A.Ş that was established with a capital of TL 100,000. The nominal share of the Parent Bank in the Company is TL 3,000 and its share rate is 3%. The Parent Bank is required to pay one quarter of its shares in cash and the remaining three quarters within 24 months of the Company's registration. Transactions regarding the establishment of the Company were registered in the trade registry on 8 June 2018. As of 30 June 2018, the Parent Bank made a payment amounting to TL 750, corresponding to a quarter of its share.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

Current Period - June 30, 2019	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	311,248	175,000	75,000	170,000	270,000	150,000	230,000	20,000
Share Premium	-	5,343	10,017	-	71,300	10,615	268,330	93
Equity share premiums	-	-	-	-	655	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-
Other capital reserves	-	5,343	10,017	-	70,645	10,615	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	22,362	115,576	1,809	751,637	62,634	591	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	704,082	-	-	-	-	-	-	-
Profit Reserves	11,854	48,049	12,316	69,570	36,425	130,841	130,281	395
Legal Reserves	11,854	10,006	8,601	11,730	17,179	35,055	9,056	395
Statutory reserves	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	38,043	3,715	57,840	19,246	95,786	121,225	-
Other Profit Reserves	-	-	-	-	-	-	-	-
Profit/Loss	19,984	(91,689)	20,518	49,745	(270,034)	261,582	13,055	(2,301)
Prior Period's Profit/Loss	342	(83,464)	2,133	(12,702)	(356,744)	114,124	14,255	(2,906)
Current Period's Profit/Loss	19,642	(8,225)	18,385	62,447	86,710	147,458	(1,200)	605
Minority Rights	-	3	-	-	-	-	-	-
Total Core Capital	1,047,168	159,068	233,427	291,124	859,328	615,672	642,257	18,134
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-
CAPITAL	1,047,168	159,068	233,427	291,124	859,328	615,672	642,257	18,134
NET AVAILABLE EQUITY	1,047,168	159,068	233,427	291,124	859,328	615,672	642,257	18,134

Reviewed BRSA financial statements as of June 30, 2019 are considered.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Prior Period - December 31, 2018								
Paid in Capital	114,483	140,000	35,000	70,000	270,000	26,500	225,000	20,000
Share Premium	-	1,447	137	-	6,112	10,615	268,330	93
Equity share premiums	-	-	-	-	655	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	22,303	115,576	1,809	745,204	63,826	502	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	554,241	-	-	-	-	-	-	-
Profit Reserves	11,854	42,610	18,277	74,642	36,425	178,058	113,637	395
Legal Reserves	11,854	7,984	8,601	6,984	17,179	18,385	7,974	395
Statutory reserves	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	34,626	7,368	67,658	19,246	159,673	105,663	-
Other Profit Reserves	-	-	2,308	-	-	-	-	-
Profit/Loss	197,108	(43,031)	36,171	82,226	(356,642)	269,967	35,899	(2,906)
<i>Prior Period's Profit/Loss</i>	161,570	(40,798)	1,866	(13,840)	(332,096)	45,301	(2,018)	(3,008)
<i>Current Period's Profit/Loss</i>	35,538	(2,233)	34,305	96,066	(24,546)	224,666	37,917	102
Minority Rights	-	30	-	-	-	-	-	-
Total Core Capital	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-
CAPITAL	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529
NET AVAILABLE EQUITY	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529

Audited BRSA financial statements dated December 31, 2018 are taken into consideration.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with "Communiqué on Capital and Capital Adequacy of Intermediary Firms" of Capital Markets Board as six months periods. Güneş Sigorta AŞ and Vakıf Emeklilik AŞ, which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with "Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Republic of Turkey Undersecretariat of Treasury as six months periods. According to the calculations at June 30, 2019, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ	Ankara/ Turkey	65.50	82.60
2 Taksim Otelcilik AŞ	İstanbul/ Turkey	51.00	51.69
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/ Turkey	86.97	93.82
4 Vakıf Gayrimenkul Değerleme AŞ	Ankara/ Turkey	94.29	96.56

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	311,748	227,650	1,424	2,434	-	(844)	(3,174)	22,459
2	392,564	377,244	205,962	11,761	-	7,086	1,320	431,760
3	85,377	61,307	14,131	2,236	-	1,555	1,097	49,463
4	31,428	23,534	673	2,702	-	(2,600)	482	25,428

(*) The financial statements for these subsidiaries are obtained from 31 March 2019 financial statements.

In the prior period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Pazarlama Sanayi ve Ticaret AŞ, purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,811 for TL 4,598 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,524 for TL 4,131 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 26,302 from TL 20,966 and share amount increased to 86.97% from 69.33%.

In the prior period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Gayrimenkul Değerleme AŞ purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Gayrimenkul Değerleme AŞ worth TL 1,200 for TL 2,256 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Gayrimenkul Değerleme AŞ worth TL 4,400 for TL 8,275 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 13,200 from TL 7,600 and share amount increased to 94.29% from 54.29%.

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Investments in consolidated subsidiaries

	Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Güneş Sigorta AŞ	İstanbul/Turkey	48.02	48.02
2	Vakıf Emeklilik ve Hayat AŞ (*)	İstanbul/Turkey	53.90	79.68
3	Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	87.49
4	Vakıf Finansal Kiralama AŞ	İstanbul/Turkey	58.71	66.23
5	Vakıf Yatırım Menkul Değerler AŞ	İstanbul/Turkey	99.25	99.54
6	Vakıfbank International AG	Vienna/Austria	90.00	90.00
7	Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/Turkey	18.47	30.12
8	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	38.70	39.54

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,646,385	839,110	838,692	104,052	-	41,763	19,902	278,616
2	9,602,467	547,547	216,135	30,172	-	83,699	33,758	1,358,353
3	2,293,631	307,121	2,855	279,151	-	65,742	28,578	217,106
4	3,178,126	251,993	23,196	117,205	-	4,796	25,077	204,408
5	358,095	223,513	4,033	15	3,603	18,384	19,911	264,575
6	5,649,619	988,497	1,607	84,849	-	21,952	35,953	487,021
7	18,517	18,136	272	1,611	385	607	(390)	24,836
8	1,619,539	981,787	866,364	6,394	-	668	3,946	389,500

(*) Financial information as at March 31, 2019 has been presented for these subsidiaries.

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Balance at the beginning of the period	2,129,732	1,950,138
Movements during the period	(117,358)	179,594
Transfers (*)	-	(52,500)
Acquisitions	-	433
Bonus shares received	384,233	33,104
Share of current year profit	(42,881)	(48,196)
Sales and liquidations	-	(885)
Fair value changes	77,985	261,874
Impairment losses	(536,696)	(14,236)
Balance at the end of the period	2,012,373	2,129,732
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*) In the prior period Vakıf Portföy Yönetimi AŞ, started to be monitored in the account Assets Held for Sale and Assets Related to the Discontinued Operations and the balance is shown in Transfers.

At the Ordinary General Assembly of Vakıfbank International AG held on June 28, 2019, it was decided to increase the Company's capital from EUR 70,000 to EUR 100,000. TL 177,089 of bonus shares amounting to EUR 27,000 corresponding to the Parent Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Parent Bank in the Company's capital has increased from EUR 63,000 to EUR 90,000 and the share ratio remains the same (90.00%).

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

At the Ordinary General Assembly of Vakıf Finansal Kiralama AŞ held on June 26, 2019, it was decided to increase the Company's capital from TL 140,000 to TL 175,000. TL 20,549 of bonus corresponding to the Parent Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Parent Bank in the Company's capital has increased from TL 82,197 to TL 102,746 and the share ratio remains the same (58.71%).

At the Ordinary General Assembly of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ held on June 24, 2019, it was decided to increase the Company's capital from TL 225,000 to TL 230,000. TL 1,935 of bonus corresponding to the Parent Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Parent Bank in the Company's capital has increased from TL 87,081 to TL 89,016 and the share ratio remains the same (38.70%).

At the Ordinary General Assembly of Vakıf Yatırım Menkul Değerler AŞ held on June 19, 2019, it was decided to increase the Company's capital from TL 35,000 to TL 75,000. TL 39,700 of bonus corresponding to the Parent Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Parent Bank in the Company's capital has increased from TL 34,738 to TL 74,438 and the share ratio remains the same (99.25%).

At the Ordinary General Assembly of Vakıf Emeklilik ve Hayat AŞ held on June 19, 2019, it was decided to increase the Company's capital from TL 26,500 to TL 150,000. TL 66,567 of bonus corresponding to the Parent Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Parent Bank in the Company's capital has increased from TL 14,248 to TL 80,851 and the share ratio remains the same (53.90%).

At the Ordinary General Assembly of Vakıf Faktoring AŞ held on June 18, 2019, it was decided to increase the Company's capital from TL 70,000 to TL 170,000. TL 78,393 of bonus corresponding to the Parent Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Parent Bank in the Company's capital has increased from TL 54,875 to TL 133,268 and the share ratio remains the same (78.39%).

In the prior period, Vakıf Portföy Yönetimi AŞ, a subsidiary of the Parent Bank, is excluded from the Subsidiaries account and started to be monitored in Assets Held for Sale and Assets Related to the Discontinued Operations account.

In the prior period, it is decided to increase the paid-in capital of Vakıf Portföy Yönetimi AŞ from TL 12,000 to TL 24,000 by a bonus increase of 100%. The share of the Parent Bank amounting to TL 12,000 is presented in the movement table of investments in subsidiaries as bonus shares received. The subsidiary was included in Assets held for sale in December 2018 and sold on January 2, 2019.

In the prior period, at the Ordinary General Assembly Meeting held on May 15, 2018, Vakıf Finansal Kiralama AŞ, an affiliate of our Bank, has resolved to increase its capital from TL 109,000 to TL 140,000 by a bonus increase of TL 31,000. TL 18,201 corresponding to our Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the subsidiaries.

In the prior period, at the Ordinary General Assembly Meeting held on May 14, 2018, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an affiliate of our Parent Bank, has resolved to increase its capital from TL 217,500 by a bonus increase of TL 7,500 to TL 225,000. TL 2,903 corresponding to our Bank's shareholding are presented in the Bonus Shares in the movement table for the subsidiaries.

In the prior period, it has been decided to sell 885.160 shares of Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. After the sale, the Parent Bank's share decreased from TL 4,578 to TL 3,693. The share of the Parent Bank amounting to TL 885 has been disclosed in Sales in the movement table of subsidiaries. After the sale, the Bank's share in Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. decreased from 22.89% to 18.47%.

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

In the prior period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Yatırım Menkul Değerler AŞ, purchased all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Yatırım Menkul Değerler AŞ worth TL 87 for TL 433 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the Parent Bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 34,737 from TL 34,650 and share amount increased to 99.25% from 99.00%.

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Measured at cost	-	-
Measured at fair value	2,012,373	2,129,732
Equity method of accounting	-	-
Total	2,012,373	2,129,732

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Banks	438,319	403,558
Insurance companies	865,944	968,850
Factoring companies	170,189	170,189
Leasing companies	120,008	145,488
Financing companies	-	-
Other financial subsidiaries	417,914	441,647
Total	2,012,374	2,129,732

Quoted consolidated subsidiaries

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Quoted at domestic stock exchanges	409,123	518,361
Quoted at international stock exchanges	-	-
Total	409,123	518,361

Consolidated subsidiaries disposed during the period

The Parent Bank has no subsidiaries that were disposed in the current period.

In the prior period, all of the shares of Vakıf Portföy Yönetimi AŞ., were sold to Ziraat Portföy Yönetimi AŞ. With an amount of TL 52,500. As of January 2, 2019, the Bank has no shares in Vakıf Portföy Yönetimi AŞ.

Investments in subsidiaries acquired during the period

The Parent Bank has no subsidiaries acquired in the current period.

9. Investments in joint-ventures

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period – June 30, 2019		Prior Period - December 31, 2018	
	Gross	Net	Gross	Net
Less than 1 year	709,268	637,870	565,650	535,088
Between 1-4 years	2,091,237	1,807,372	1,883,455	1,644,025
Longer than 4 years	544,323	432,755	755,179	602,489
Total	3,344,828	2,877,997	3,204,284	2,781,602

Net investments in finance lease receivables

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Gross finance lease receivables	3,344,828	3,204,284
Unearned income on finance lease receivables (-)	466,831	422,682
Terminated lease contracts (-)	-	-
Net finance lease receivables	2,877,997	2,781,602

Finance lease agreements

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

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As of June 30, 2019, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 101,584 (December 31, 2018: TL 101,795) and its subsidiaries which are operating in real estate investment business is TL 539,090 (December 31, 2018: TL 505,605).

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

13. Information on tax assets

a) Current tax assets

As at June 30, 2019 the Group has no current tax assets (December 31, 2018: TL 2).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at June 30, 2019 and December 31, 2018:

	Current Period - June 30, 2019	Prior Period – December 31, 2018
Provision for employee termination benefits and unused vacations	134,328	122,272
Other provisions	54,593	73,828
Valuation differences of associates and subsidiaries	96,546	115,933
Deductible financial losses	13,645	16,830
Investment incentives	4,068	3,699
Valuation differences of financial assets and liabilities	100,702	42,008
Reporting Standards - Tax Code depreciation differences	-	-
Provision (General Provision)	723,294	626,608
Other differences	41,733	18,536
Deferred tax assets	1,168,909	1,019,714
Net-off of the deferred tax assets and liabilities from the same entity	(793,042)	(830,746)
Deferred tax assets, (net)	375,867	188,968
Valuation differences of financial assets and liabilities	589,455	621,513
Valuation difference for associates and subsidiaries	95,366	111,720
Valuation differences of properties	88,491	93,668
Other differences	77,505	35,566
Deferred tax liabilities	850,817	862,467
Net-off of the deferred tax assets and liabilities from the same entity	(793,042)	(830,746)
Deferred tax liabilities, (net)	57,775	31,721

As at June 30, 2019 and December 31, 2018, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period – June 30, 2019	Prior Period – December 31, 2018
As of 1 January	157,247	(12,468)
Adjustment according to TAS as of January, 1	-	464,040
Deferred tax income/(loss)	190,230	(244,441)
Deferred tax that is accounted under Equity	(26,352)	(43,408)
Other	(3,033)	(6,476)
Deferred tax asset/(liability)	318,092	157,247

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

As at June 30, 2019, net book value of assets held for sale of the Group is amounting to TL 2,701,076 (December 31, 2018: TL 1,568,113).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on other asset

As at June 30, 2019 and December 31, 2018, the details of other assets are as follows:

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Receivables from insurance operations	1,641,746	1,954,650
Receivables from credit card payments	1,471,613	1,443,032
Prepaid expenses	1,367,328	1,297,047
Guarantees given for repurchase agreements	56,782	32,741
Guarantees given for derivative financial instruments	9,236,492	6,891,330
Receivables from term sale of assets	74,259	72,096
Receivables from reinsurance companies	56,426	53,863
Deferred commission expenses	169,779	119,251
Other	1,956,594	2,822,525
Total	16,031,019	14,686,535

16. Information on expected loss provisions for financial assets

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Balances with the Central Bank	370	328
Banks	5,015	7,308
Total	5,385	7,636
Financial Assets Measured at Amortized Cost	5,488	4,665
Total	10,873	12,301

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period June 30, 2019	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
Foreign currency deposits	13,175,075	-	11,679,521	48,661,365	5,118,825	3,880,352	8,394,111	-	-	90,909,249
Residents in Turkey	11,188,296	-	11,235,999	46,166,127	4,015,400	2,433,741	2,322,253	-	-	77,361,816
Residents in abroad	1,986,779	-	443,522	2,495,238	1,103,425	1,446,611	6,071,858	-	-	13,547,433
Public sector deposits	6,607,350	-	3,964,110	7,650,174	821,045	350,687	191,043	-	-	19,584,409
Commercial deposits	3,086,033	-	7,510,287	8,368,223	644,342	321,248	251,928	-	-	20,182,061
Other	6,884,716	-	1,882,002	5,489,320	4,191,716	496,337	336,356	-	-	19,280,447
Precious metal deposits	3,466,511	-	-	-	-	95,987	10,086	-	-	3,572,584
Bank deposits	739,944	-	4,362,255	4,960,725	66,108	226,605	6,985	-	-	10,362,622
Central Bank	1,643	-	-	-	-	-	-	-	-	1,643
Domestic banks	357,589	-	2,675,376	1,000,395	66,108	203,362	6,985	-	-	4,309,815
Foreign banks	177,463	-	1,665,566	2,972,679	-	23,243	-	-	-	4,838,951
Participation banks	203,249	-	21,313	987,651	-	-	-	-	-	1,212,213
Other	-	-	-	-	-	-	-	-	-	-
Total	40,750,270	-	36,895,332	105,510,380	17,740,295	5,861,090	10,820,547	5,874	-	217,583,788

Prior Period December 31, 2018	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
Foreign currency deposits	12,208,395	-	4,802,505	33,583,387	3,817,569	2,370,111	8,998,778	-	-	65,780,745
Residents in Turkey	11,089,671	-	4,734,577	32,950,463	3,222,472	898,417	1,452,912	-	-	54,348,512
Residents in abroad	1,118,724	-	67,928	632,924	595,097	1,471,694	7,545,866	-	-	11,432,233
Public sector deposits	8,813,217	-	7,364,042	5,762,076	1,706,276	2,415,489	187,995	-	-	26,249,095
Commercial deposits	2,980,744	-	5,186,038	6,510,432	893,392	935,437	40,288	-	-	16,546,331
Other	3,942,935	-	1,107,213	3,325,545	1,658,781	90,207	221,300	-	-	10,345,981
Precious metal deposits	2,625,379	-	-	-	-	-	-	-	-	2,625,379
Bank deposits	397,156	-	1,136,730	4,874,924	440,591	208,860	6,232	-	-	7,064,493
Central Bank	1,678	-	-	-	-	-	-	-	-	1,678
Domestic banks	119,838	-	580,017	389,545	35,145	187,479	6,232	-	-	1,318,256
Foreign banks	110,676	-	245,174	3,952,058	6,068	21,381	-	-	-	4,335,357
Participation banks	164,964	-	311,539	533,321	399,378	-	-	-	-	1,409,202
Other	-	-	-	-	-	-	-	-	-	-
Total	36,712,745	-	26,239,957	89,859,274	12,792,550	6,851,381	10,015,951	3,851	-	182,475,709

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period – June 30, 2019		Prior Period – December 31, 2018	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	27,248,108	26,444,308	26,391,734	27,471,951
Foreign currency saving deposits	12,259,688	33,717,921	8,642,215	25,316,190
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	39,507,796	60,162,229	35,033,949	52,788,141

Saving deposits out of insurance coverage limits

	Current Period - June 30, 2019	Prior Period - December 31, 2018
Deposits and other accounts at foreign branches	62,923	72,744
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	5,349	5,287
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 - June 30, 2019	Current Period- June 30,2019		Prior Period- December 31,2018	
	TL	FC	TL	FC
Forwards	21,368	6,572	74,131	7,626
Swaps	2,790,714	923,968	2,010,204	419,013
Futures	-	-	-	-
Options	153	4,830	37,282	3,992
Other	-	-	-	-
Total	2,812,235	935,370	2,121,617	430,631

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period - June 30, 2019		Prior Period-December 31,2018	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	826,293	-	431,595
Domestic banks and institutions	1,315,153	5,291,782	1,952,650	3,890,809
Foreign banks, institutions and funds	620,997	35,128,221	686,931	38,470,872
Total	1,936,150	41,246,296	2,639,581	42,793,276

b) Maturity information of funds borrowed

	Current Period - June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Short-term (*)	976,525	4,565,886	1,662,836	4,479,579
Medium and Long-term (*)	959,625	36,680,410	976,745	38,313,697
Total	1,936,150	41,246,296	2,639,581	42,793,276

(*) 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 11.89% (December 31, 2018: 14.40%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On April 24, 2018, the loan has been renewed with a new syndicated loan amounting to US Dollar 100 million at a maturity of 735 days with the interest rate of US Libor +2.10% and US Dollar 229 million and Euro 778.75 million at a maturity of 367 days, with the interest rate of US Libor +1.30% and Euribor +1.20% with participation of 35 banks, Mizuho Bank, LTD and Emirates NBD Bank PJSC acting as coordinator, and first Abu Dhabi PJSC acting as agent bank. The Parent Bank renewed its syndicated loan with a total cost of USD 279.5 million and EUR 723.5 million with a total maturity of 367 days with a total cost of Libor + 2,00% for USD, Euribor + 1,90% for Euro on April 25, 2019, with the participation of 38 banks, where Emirates NBD Bank PJSC was coordinator Mizuho Bank LTD was both a coordinator and an agent.

On September 25, 2017, the loan has been provided with syndicated loan amounting US Dollar 131 million and Euro 634 million with the interest rate of US Libor + 1.35% and Euribor + 1.25% at a maturity 367 days with participation of 22 banks from 12 countries, ING Bank and Emirates NBD acting as coordinator, and ING Bank London Branch acting as agent bank. On November 21, 2018, the loan has been renewed with a new syndicated loan amounting US Dollar 122 million and Euro 528,5 with the interest rate of US Libor +2.75 % and Euribor +2.65% for 1 year maturity and US Libor +3.50% for 2 year maturity at a maturity of 367 days and US Dollar 130 million at a maturity of 733 days with participation of 20 banks, NBD PJSC acting as both coordinator and agent bank.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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.

On October 4, 2016, the Parent 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.

On May 4, 2018, the Parent Bank carried out a securitization transaction in the amount of USD 380 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. The maturity of the loan is 5 years, and will be paid in six separate segments. Within the program, 2018-A segment was collected from ING Bank, 2018-B segment from SMBC, 2018-C segment from Standard Chartered Bank, 2018-D segment from Raiffeisen Bank, 2018-E segment from Mizuho Bank, 2018-F segment from Société Générale. In addition to the transactions, the Bank has carried out a securitisation transactions in the amount of USD 300 million with ICBC Standard Bank on October 5, 2018, and thus a funding of USD 680 million was provided in scope of the DPR program in 2018.

As of June 30, 2019, the total balance is equivalent of USD 1.374 million and EUR 267 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, the Parent Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity, which will be used for trade finance purposes together with general purpose financial needs.

Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the Parent 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%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

At January 30, 2018, bank has issued a new bond with a maturity of 5 years with a coupon rate of 5.75%, and a final yield of 5.85% amounting to USD 650 million. This transaction has been the highest consistent bond issuance transaction the Parent Bank has ever undertaken. The total demand from over 150 investors in the export has exceeded 1.5 billion dollars.

On March 28, 2019, a new bond issue with a coupon rate of 8.125 percent and a final return rate of 8.200 percent was realized in the amount of USD 600 million. More than 150 international investors showed interest in the issue. The issuance amount was swapped to Euro on the same day and the transaction was closed at a cost of less than 5%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued 234 private placements with 19 different banks from 2013 June on .This private placements are issued in several currencies (US Dollar, Euro, Swiss Frank and Japanese Yen) and with different maturities which are 3 months, 6 months, 1 year and 2 years. Parent Bank has issued 4,896 million US Dollars private placements as of June 30, 2019.

The Parent 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.

On October 9, 2017, the Parent Bank had issued covered bond for the qualified investors abroad within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1,333 million Turkish Liras.

The Parent Bank had issued the second covered bond of 2017 on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1,333 million Turkish Liras.

On February 28, 2018, the Parent Bank conducted a five year maturity Covered Bond transaction with a nominal value of TL 1,000 million, which was allocated to qualified investors abroad.

On December 7, 2018 the Parent Bank issued the second transaction of 2018 abroad with a nominal value of TL 1,000 million and 5 years of maturity.

On 22 January 2019, two separate transactions amounting to TL 396.3 million and TL 1,118 million on February 12, 2019, are subject to 8-year maturity. Thus, the Covered Bond issuances reached TL 9.3 billion.

4. Information on securities issued (Continued)

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Current Period - June 30, 2019				
Nominal	5,324,028	5,182,224	-	16,803,905
Cost	4,966,174	5,182,224	-	16,732,404
Net Book Value	5,182,762	5,372,621	-	16,984,288

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Prior Period - December 31, 2018				
Nominal	4,502,977	3,666,000	-	14,462,438
Cost	4,253,208	3,666,000	-	14,390,145
Net Book Value	4,382,207	3,729,376	-	14,660,908

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

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

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

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

Obligations under finance leases

Current Period - June 30, 2019

	Gross	Net
Under 1 year	85,250	71,141
1-4 Years	399,888	307,973
Over 4 years	910,931	483,134
Total	1,396,069	862,248

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

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

None.

- 8. Information on provisions**

Provision for currency exchange loss on foreign currency indexed loans

	Current Period – 30 June 2019	Prior Period - 31 December 2018
Provision for Foreign Exchange Indexed Loans	1,192	32

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

As of June 30, 2019, Bank has recorded TL 37,567 (December 31, 2018: TL 26,739) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

A portion of free provisions amounting to TL 113,000 has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provisions in the accompanying consolidated financial statements as at June 30, 2019, is TL 917,000 (31 December 2018: TL 1,030,000).

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

Information on insurance technical provision

	Current Period - 30 June 2019
Provision for Unearned Premiums	1,235,524
Outstanding Claims and Compensation Provisions	1,970,408
Mathematical Provisions	312,138
Other	44,554
Total	3,562,624
	Prior Period - 31 December 2018
Provision for Unearned Premiums	1,180,901
Outstanding Claims and Compensation Provisions	1,919,637
Mathematical Provisions	302,494
Other	44,030
Total	3,447,062

9. Taxation

Current Taxes

As at and for the six-month period ended June 30, 2019, the tax liability of the Group is amounting to TL 354,549 (December 31, 2018: TL 317,754).

Information on taxes payable

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Corporate taxes payable	354,549	317,754
Taxation on securities	305,871	237,984
Capital gains tax on property	3,440	3,258
Taxes on foreign exchange transactions	4,629	-
Banking and Insurance Transaction Tax (BITT)	214,404	207,040
Value added tax payable	5,439	6,834
Other	50,979	75,332
Total	939,311	848,202

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

Information on premiums payable

	Current Period – June 30, 2019	Prior Period - December 31, 2018
Social security premiums- employee share	2,568	1,442
Social security premiums- employer share	7,238	3,938
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	53	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	1
Unemployment insurance- employee share	1,613	1,106
Unemployment insurance- employer share	3,605	2,436
Other	62	14
Total	15,139	8,962

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 12 of information and disclosures related to assets.

10. Information on payables for assets held for resale and tangible assets related to discounted activities
None.

11. Information on subordinated loans

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

The Parent Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of 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%.

In 2012, the Parent 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 Parent 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 227.6 million 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%.

On September 18, 2017, the Parent Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras that has the maturity of 10 years that is callable in 5 years, and has quarterly coupon payments.

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

On September 27, 2018, the bank had issued a fixed rate subordinated bond (Additional Tier 1 capital) with nominal value of 4,994 million Turkish Liras that is undated and callable at the end of 5 years and has semiannual coupon payments.

On April 19, 2019, in the scope of GMTN Program, the Parent Bank issued bonds amounting to EUR 700,000,000 with additional Tier 1 capital requirements. In this context; Turkey Wealth Funds within the Market Stability and Balance Fund investors that allocated to bonds that have performed in the form of sales indefinite term, 5 years at the end of the qualities that can be redeemed early, fixed-rate and annual coupon payments has been included in additional Tier 1 capital in the nominal value of the voucher. The ratio is determined as 5.076%.

Total balance sheet value of the bonds is TL 18,270,366 as of June 30, 2019 (December 31, 2018: TL 13,022,023).

	Current Period – June 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation	5,136,675	4,634,568	5,138,704	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	5,136,675	4,634,568	5,138,704	-
Debt instruments to be included in the additional capital calculation	529,592	7,969,531	529,417	7,353,902
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	529,592	7,969,531	529,417	7,353,902
Total	5,666,267	12,604,099	5,668,121	7,353,902

12. Information on shareholders' equity

Paid-in capital

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

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

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Information on share capital increases from revaluation funds

None.

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

None

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

	Current Period – June 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	435,704	-	438,620	-
Financial assets at fair value through other comprehensive income	(107,043)	138,928	(126,892)	9,123
Total	328,661	138,928	311,728	9,123

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

1. Disclosures related to off-balance sheet commitments

Type and amount of consolidated irrevocable commitments

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Commitments for credit card limits	15,067,069	13,549,649
Loan granting commitments	15,418,447	14,105,349
Commitments for cheque payments	2,520,539	1,979,217
Asset purchase sale commitments	4,119,985	3,754,254
Other	2,439,769	3,086,633
Total	39,565,809	36,475,102

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

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

The Parent Bank provided specific provision amounting to TL 412,620 (December 31, 2018: TL 258,210) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 37,567 (December 31, 2018: TL 26,739).

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

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Final letters of guarantee	19,953,017	18,753,120
Letters of guarantee for advances	6,300,732	6,838,656
Letters of guarantee given to custom offices	1,473,398	1,314,771
Provisional letters of guarantee	1,513,783	1,913,828
Other letters of guarantee	27,249,060	23,132,521
Total	56,489,990	51,952,896

2. Non-cash loans

	Current Period – June 30, 2019	Prior Period – December 31, 2018
Non-cash loans given for cash loan risks	13,311,555	10,058,836
<i>With original maturity of 1 year or less</i>	4,452,270	3,334,315
<i>With original maturity of more than 1 year</i>	8,859,285	6,724,521
Other non-cash loans	58,390,060	55,970,161
Total	71,701,615	66,028,997

3. Sectoral risk concentrations of non-cash loans

	Current Period - June 30, 2019				Prior Period - December 31, 2018			
	TL	%	FC	%	TL	%	FC	%
Agricultural	41,100	0.11	188,498	0.57	32,052	0.08	59,331	0.21
Farming and Cattle	37,522	0.10	176,167	0.53	29,692	0.08	59,331	0.21
Forestry	3,548	0.01	-	-	1,698	-	-	-
Fishing	30	-	12,331	0.04	662	-	-	-
Manufacturing	11,641,297	30.08	16,487,492	49.94	12,489,776	33.19	14,033,362	49.41
Mining	226,230	0.58	153,138	0.46	218,076	0.58	126,887	0.45
Production	7,480,207	19.33	15,547,495	47.10	8,147,262	21.65	13,170,945	46.37
Electric, gas and water	3,934,860	10.17	786,859	2.38	4,124,438	10.96	735,530	2.59
Construction	7,618,723	19.69	5,894,601	17.86	7,726,291	20.53	5,137,296	18.09
Services	17,911,043	46.29	9,148,454	27.72	15,650,807	41.60	7,037,312	24.77
Wholesale and retail trade	5,858,123	15.14	4,973,360	15.07	5,545,235	14.74	4,032,534	14.20
Hotel, food and beverage Services	345,405	0.89	397,600	1.20	336,135	0.89	245,307	0.86
Transportation and telecommunication	2,601,081	6.72	1,929,875	5.85	1,986,293	5.28	1,123,275	3.95
Financial institutions	5,235,824	13.53	197,896	0.60	4,361,969	11.59	94,814	0.33
Real estate and renting Services	1,486,729	3.84	535,522	1.62	1,663,203	4.42	402,537	1.42
Self-employment services	2,158,842	5.58	387,997	1.18	1,455,236	3.87	456,663	1.61
Education services	52,432	0.14	5,245	0.02	51,743	0.14	4,085	0.01
Health and social services	172,607	0.45	720,959	2.18	250,993	0.67	678,097	2.39
Other	1,481,156	3.83	1,289,251	3.91	1,727,370	4.60	2,135,400	7.52
Total	38,693,319		33,008,296		37,626,296		28,402,701	

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

	Group I		Group II	
	TL	FC	TL	FC
Current Period - June 30, 2019				
Letters of Guarantee	36,625,777	18,065,400	1,097,139	306,639
Confirmed Bills of Exchange and Acceptances	9,694	3,307,555	-	52,258
Letters of Credit	113,256	10,833,265	-	3,079
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	340,646	102,269	-	-
Other Guarantees and Sureties	228,507	203,511	-	-
Non-Cash Loans	37,317,880	32,512,000	1,097,139	361,976
Prior Period - December 31, 2018				
Letters of Guarantee	35,786,714	14,727,183	875,085	321,894
Confirmed Bills of Exchange and Acceptances	7,815	2,948,104	-	-
Letters of Credit	51,010	10,141,626	-	7,151
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	243,674	127,759	-	-
Other Guarantees and Sureties	410,702	122,070	-	-
Non-Cash Loans	36,499,915	28,066,742	875,085	329,045

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

5. Contingent assets and liabilities

Group allocates TL 42,442 as provision for lawsuits against the Group (December 31, 2018: TL 13,417).

6. Services rendered on behalf of third parties

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

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

1. Interest income

Information on interest income received from loans

	Current Period – June 30, 2019		Prior Period – June 30, 2018	
	TL	FC	TL	FC
Short-term loans	5,148,466	397,792	3,370,645	139,323
Medium and long-term loans	8,699,132	2,568,114	6,629,823	1,712,007
Non-performing loans	260,804	-	158,826	-
Premiums received from resource utilization support fund	-	-	-	-
Total	14,108,402	2,965,906	10,159,294	1,851,330

Information on interest income received from banks

	Current Period – June 30, 2019		Prior Period – June 30, 2018	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	1,297	-	-
Domestic Banks	77,752	21,948	76,108	16,101
Foreign Banks	1,289	76,073	574	36,904
Foreign Head Office and Branches	-	-	-	-
Total	79,041	99,318	76,682	53,005

Information on interest income received from marketable securities portfolio

	Current Period – June 30, 2019		Prior Period - June 30, 2018	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	41,266	311	5,771	213
Financial assets at fair value through other comprehensive income	895,270	95,585	298,488	28,834
Financial assets measured at amortised cost	2,144,379	252,446	1,128,286	147,734
Total	3,080,915	348,342	1,432,545	176,781

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As stated in Section 3 Note VII, “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolios of the Parent Bank include Consumer Price Indexed (CPI) Bonds. The estimated inflation rate used is updated as needed within the year. In this context, as of June 30, 2019, the valuation of the related securities was based on an annual inflation forecast of 15.25%. If the valuation of these securities indexed to CPI was made according to the reference index valid for June 30, 2019, the Parent Bank's equity valuation differences on equity would increase by TL 90,81 million (full TL) and the net profit for the period would decrease by TL 562,15 million (full TL) to 456 million TL (full TL).

Information on interest income received from associates and subsidiaries

None.

2. Interest Expense

Interest expense on funds borrowed

	Current Period - June 30, 2019		Prior Period – June 30, 2018	
	TL	FC	TL	FC
Banks	167,129	721,333	142,851	453,867
Central Bank of the Republic of Turkey	-	907	-	617
Domestic Banks	133,126	74,622	93,764	28,433
Foreign Banks	34,003	645,804	49,087	424,817
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	46,374	-	33,815
Total	167,129	767,707	142,851	487,682

Interest expense paid to associates and subsidiaries

	Current Period – June 30, 2019	Prior Period – June 30, 2018
Interests paid to the associates and subsidiaries	48,835	88,175

Interest expense on securities issued

Interest paid to securities issued as at for the period ended June 30, 2019 is TL 1,957,610 (TL 1,211,432, 746,178 FC). (June 30, 2018: TL 1,184,191 (TL 623,381, 560,810 FC)).

Maturity structure of the interest expense on deposits

Current Period - June 30, 2019	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		
TL								
Interbank deposits	-	42,818	139,283	-	15,185	25,068	-	222,354
Saving deposits	-	716,836	3,370,690	360,876	75,804	67,151	252	4,591,609
Public sector deposits	12,442	295,726	526,711	57,349	38,406	19,233	-	949,867
Commercial deposits	-	626,046	717,271	75,752	60,481	17,629	-	1,497,179
Other deposits	-	83,327	354,312	318,122	33,397	15,088	-	804,246
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	12,442	1,764,753	5,108,267	812,099	223,273	144,169	252	8,065,255
FC								
Foreign Currency deposits	20,097	90,450	656,976	64,239	30,569	112,918	-	975,249
Interbank deposits	5,243	24,906	81,020	-	8,833	14,582	-	134,584
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	151	19	-	170
Total	25,340	115,356	737,996	64,239	39,553	127,519	-	1,110,003
Grand Total	37,782	1,880,109	5,846,263	876,338	262,826	271,688	252	9,175,258

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

Prior Period – June 30, 2018	Demand Deposits	Time Deposits					Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	14,520	124,342	-	2,274	-	-	141,136
Saving deposits	-	275,035	2,236,331	147,013	18,190	9,251	135	2,685,955
Public sector deposits	5,651	223,366	394,449	53,823	302,124	10,644	-	990,057
Commercial deposits	-	298,865	708,349	150,442	13,953	664	-	1,172,273
Other deposits	-	35,334	194,751	57,759	4,524	2,772	-	295,140
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	5,651	847,120	3,658,222	409,037	341,065	23,331	135	5,284,561
<i>FC</i>								
Foreign currency deposits	11,658	18,464	435,427	27,060	18,822	75,431	-	586,862
Interbank deposits	2,415	2,067	18,059	6,612	3,103	13,532	-	45,788
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	14,073	20,531	453,486	33,672	21,925	88,963	-	632,650
Grand Total	19,724	867,651	4,111,708	442,709	362,990	112,294	135	5,917,211

3. Information on trading income/losses

	Current Period – June 30, 2019	Prior Period – June 30, 2018
Income	19,205,378	12,418,106
Income from capital market operations	150,458	70,707
Income from derivative financial instruments	15,285,617	8,745,200
Foreign exchange gains	3,769,303	3,602,199
Losses	(20,269,252)	(12,065,165)
Loss from capital market operations	(29,317)	(12,435)
Loss from derivative financial instruments	(16,778,516)	(8,506,305)
Foreign exchange loss	(3,461,419)	(3,546,425)
Net trading profit/loss	(1,063,874)	352,941

Net loss arising from changes in foreign exchange rates that relate to the Group's foreign exchange rate based derivative financial instruments is amounting to TL 1,363,795 as at and for the six-month period ended June 30, 2019 (June 30, 2018: TL 93,726 net profit).

4. Information on other operating income

	Current Period – June 30, 2019	Prior Period – June 30, 2018
Income from reversal of the provisions for loans from prior periods	2,186,754	669,457
Earned insurance premiums (net of reinsurance share)	838,476	698,807
Communication income	19,929	18,231
Gain on sale of assets	115,911	94,204
Income from private pension business	74,971	60,426
Rent income	4,575	50,756
Other income	238,416	138,825
Total	3,479,032	1,730,706

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Expected credit loss and other provision expenses

	Current Period – June 30, 2019	Prior Period – June 30, 2018
Expected Credit Loss	3,970,574	1,813,820
12 month expected credit loss (stage 1)	871,869	424,037
Significant increase in credit risk (stage 2)	1,243,708	75,072
Non-performing loans (stage 3)	1,854,997	1,314,711
Marketable Securities Impairment Expense	54,185	2,345
Financial Assets at Fair Value through Profit or Loss	8,401	723
Financial Assets at Fair Value Through Other Comprehensive Income	45,784	1,622
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	58	-
Investments in Associates	58	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	16,743
Total	4,024,817	1,832,908

6. Information on other operating expenses

	Current Period - June 30, 2019	Prior Period - June 30, 2018
Reserve for Employee Termination Benefits	56,195	45,335
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	223,963	80,219
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	17,992	15,701
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses on Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,466,487	1,434,084
<i>Leasing expenses related to TFRS 16 exceptions</i>	49,342	146,888
<i>Repair and maintenance expenses</i>	30,028	32,443
<i>Advertisement expenses</i>	99,070	94,019
<i>Other expenses</i>	1,288,047	1,160,734
Loss on sale of assets	3,652	3,582
Other ^(*)	907,157	710,840
Total	2,675,446	2,289,761

(*) Other operating expenses amounting to TL 907,157 (June 30, 2018: TL 710,840) is comprised of provision expenses for dividends to the personnel amounting to TL 144,698 (June 30, 2018: TL 126,461), tax, fees and funds expenses amounting to TL 143,251 (June 30, 2018: TL 149,847), Saving Deposits Insurance Fund expenses amounting to TL 156,502 (June 30, 2018: TL 93,654), Compensation pensions amounting to TL 7,423 (June 30, 2018: TL 6,992), cumulative/noncumulative commission expenses amounting to TL 79,145 (June 30, 2018: TL 51,871), production commission expenses to TL 143,091 (June 30, 2018: TL 123,354) and other expenses amounting to TL 233,047 (June 30, 2018: TL 158,661)

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on tax provision from discontinued and continuing operations

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

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

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

10. Provision for taxes

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

In the current period, the Group recorded a tax provision of TL (448,717) (June 30, 2018: TL 563,007) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Period – June 30, 2019	Prior Period – June 30, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	155,122	116,235
Arising from (Origination)/ Reversal of Taxable Temporary Differences	35,108	(128,118)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	190,230	(11,883)

11. Information on net profit and loss

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

Group has incurred TL 21,028,965 interest income and TL 15,536,474 interest expense, also incurred TL 1,825,074 amount of net fee and commission income from its ordinary banking operations (June 30, 2018: TL 12,010,624 interest income, TL 8,949,950 interest expense, TL 883,125 net fee and commission income).

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

None.

12. Income/loss related to non-controlling interest

	Current Period – June 30, 2019	Prior Period – June 30, 2018
Income/(losses) related to non-controlling interest	64,817	27,418

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

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

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

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

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

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	85	222,835	-	44,668	193,297	91,969
Balance at the end of the year	29	229,783	-	70,573	278,655	56,097
Interest and commission income	-	167	-	-	23,411	64

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	17	1,190,628	-	38,243	18,111	34,799
Balance at the end of the year	85	222,835	-	44,668	193,297	91,969
Interest and commission income	-	633	-	-	7,673	73

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

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	538,053	884,201	1,079,621	1,100,243	623,318	241,646
Balance at the end of the year	1,067,665	538,053	1,109,788	1,079,621	235,782	623,318
Interest on deposits	48,835	88,175	110,580	39,886	9,712	353

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

None.

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DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.001 (December 31, 2018: 0.085) and 0.005 (December 31, 2018: 0.544) respectively.

Current Period - June 30, 2019	Amount	Compared with the Financial Statement Amount %
Cash Loans	278,684	0.106
Non-Cash Loans	356,453	0.504
Deposits	2,413,235	1.126
Forward and Option Agreements	-	-

Prior Period - December 31, 2018	Amount	Compared with the Financial Statement Amount %
Cash Loans	193,382	0.085
Non-Cash Loans	359,472	0.544
Deposits	2,240,992	1.228
Forward and Option Agreements	-	-

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

As per the resolution of 65rd Annual General Assembly held on May 27, 2019, the net profit of year 2018 has been decided to be distributed as follows:

	Profit Distribution Table of Year 2018
Bank's unconsolidated profit in its statutory financial statements	4,154,322
Deferred tax credits	-
Net profit of the year subject to distribution	4,154,322
Legal reserves	415,432
<i>First Legal Reserves</i>	207,716
<i>Reserves allocated according to banking law and articles of association.</i>	207,716
Net profit of the year subject to distribution	3,738,890
Gain on sale of immovable and shares of associates and subsidiaries	11,179
Extraordinary reserves	3,727,711
Dividends to shareholders	-

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

July 2019	Fitch Ratings
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+
Viability Note	b+
June 2019	Moody's Investors' Service
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B3/NP
Foreign Currency Outlook	Negative
October 2018	Standard&Poors
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/-/trA-1
March 2019	JCR Eurasia
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independency from Shareholders	A

(*) Dates represent last report dates.

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OTHER DISCLOSURES AND FOOTNOTES (Continued)

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

On August 7, 2019, the Parent Bank sold share certificates related to Vakıf Menkul Değerler Yatırım Ortaklığı A.Ş. with a total nominal amount of TL 220,000 from TL 2.19 - TL 2.21 price range. As a result of this transaction, the Bank's share in Vakıf Menkul Değerler Yatırım Ortaklığı A.Ş. has decreased to the 17.37% limit.

On 2 August 2019, the Parent Bank purchased 45,210,297 shares of Güneş Sigorta A.Ş. in BIST Primary Market with a price of TL 1.11. With this transaction, the Bank's Güneş Sigorta A.Ş. has reached 56.39% as of 2 August 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 56 days, a nominal value of TL 197,704,978 (full TL) and an ISIN code of TRFVKFB919A8 for sale to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on August 2, 2019.

On August 1, 2019 Vakıfbank purchased USD 10 million nominal amount of its Eurobond maturing in 2023 with ISIN code of XS1760780731.

The Parent Bank issued a Vakıfbank financing bill with a term of 34 days, a nominal value of TL 52,000,000 (full TL) and an ISIN code of TRFVKFB91999 for sale to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 31, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 70 days, a nominal value of TL 356,943,141 (full TL) and an ISIN code of TRFVKFBE1950 for sale to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 26, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 56 days, a nominal value of TL 53,559,771 (full TL) and an ISIN code of TRFVKFB91981 to be sold to qualified investors following the approval of the TL 20,000,000,000 debt instruments issue cap application. The amount was transferred to customer accounts on July 26, 2019.

On July 24, 2019 Vakıfbank purchased USD 5 million nominal amount of its Eurobond maturing in 2022 with ISIN code of XS0849728190.

The Parent Bank issued a Vakıfbank financing bill with a term of 79 days, a nominal value of TL 112,587,981 (full TL) and an ISIN code of TRFVKFBE1943 to be sold to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 24, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 56 days, a nominal value of TL 909,500,000 (full TL) and an ISIN code of TRFVKFB91973 to be sold to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 19, 2019.

The Parent Bank issued and offered to the public a Vakıfbank financing bill on 22-24 July, with a term of 168 days, starting July 26, 2019 and ending January 10, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFBE1935 was determined to have TL 200,000,000 (full TL) nominal value, 168 days term, term ending January 10, 2020 with an annual compound interest rate of 21,0851%, simple interest rate of 20 %.

The Parent Bank issued a Vakıfbank financing bill with a term of 56 days, a nominal value of TL 63,350,000 (full TL) and an ISIN code of TRFVKFB91965 to be sold to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 12, 2019.

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OTHER DISCLOSURES AND FOOTNOTES (Continued)

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

The Parent Bank issued a Vakıfbank financing bill with a term of 42 days, a nominal value of TL 213,000,000 (full TL) and an ISIN code of TRFVKFB81974 to be sold to qualified investors following the approval of the TL Banka 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 12, 2019.

The Parent Bank issued and offered to the public a Vakıfbank financing bill on 8-10 July, with a term of 84 days, starting July 12, 2019 and ending October 4, 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFBE1935 was determined to have TL 200,000,000 (full TL) nominal value, 84 days term, term ending October 4, 2019 with an annual compound interest rate of 23,6434%, simple interest rate of 21,75 % and an issue price of TL 95,233.

The Parent Bank issued a Vakıfbank financing bill with a term of 91 days, a nominal value of TL 108,060,099 (full TL) and an ISIN code of TRFVKFB91957 to be sold to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on July 1, 2019.

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SECTION SEVEN

INDEPENDENT AUDITORS' REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITORS' REVIEW REPORT

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the six-month period ended June 30, 2019, have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated August 9, 2019 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group's financial position and results of its operations as at and for the six-month period ended June 30, 2019.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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**SECTION EIGHT
INFORMATION ON THE INTERIM ACTIVITY REPORT**

Assessment of Chairman of the Board

During the second quarter of 2019, focus of the developments in global markets was on trade wars. Having grown by 3.1%, above forecasts in the first quarter, U.S. economy has grown by 2.1% in the second quarter of the year, with the effect of trade tensions. Chinese economy has had its lowest growth performance since 1991, growing 6.2% in the second quarter of the year. In the period ahead, trade wars will continue to be a risk factor on the global economy, due to China's reaction in terms of exchange rates, to the sanctions of the U.S.A.

Another risk factor on the global economy is the signals of slowdown in Euro Zone economy. Having grown by 1.2% in the first quarter of 2019 compared to the same period of previous year, Euro Zone has grown 1.1% in the second quarter. Expectations suggest that the weak course in growth may continue.

Uncertainties related to global economy and the deterioration in macroeconomic indicators have caused central banks of developed countries to ease their monetary policies. FED has cut the policy interest rates by 25 basis points, for the first time in 11 years, while European Central Bank (ECB) has decided not to change the interest rates and to monitor the market for some more time. Bank of England (BoE) has kept the policy interest rate unchanged at 0.75%, and emphasized in its assessment that a no-deal Brexit would cause an adverse effects, namely drop in the value of Sterling, and increase in inflation rate, and slowdown in growth. People's Bank of China has cut the reserve requirement ratios, in order to support the companies fighting the slowdown in the economy. In its announcement, the Bank has stated that cutting the reserve requirements would generate USD 41.23 billion worth of funds to the Chinese economy.

In this period, while the factors causing downward pressure on the global economy have increased, efforts for positive diversion of Turkish economy have continued. Turkish economy, which was exposed to speculative attacks starting from the second half of 2018, without any macroeconomic basis, has entered a rapid balancing process with the support of measures taken. Industrial production index above forecasts, and swiftly falling inflation rate, and the resulting 425 basis points of reduction in policy interest rates by Central Bank of the Republic of Turkey (CBRT), suggest that the de positive effects on the economy of the balancing process, will increase in the period ahead.

Despite the continuously changing conjuncture in global economy in recent years, Turkish Banking Sector has maintained its strong and healthy structure and sustained its growth. As of June, Turkish Banking sector's capital adequacy ratio is 17.73%, well above the international standards. While growing in a robust manner, the industry has continued to support Turkish economy. In this period, total assets of the industry has increased by 9.48% compared to 2018 year-end, to TL 4.234 billion. Loans given by the industry has increased by 6.07% to TL 2.540 billion.

In the first half of the year, our Bank's total assets have grown by 14.84% to 380.5 billion TL, and our loans have increased by 12.80% to TL 250 billion. Deposits, the main funding source, has increased by 19.45% to TL 214.3 billion.

As always, VakıfBank will continue to be the power standing by Turkish economy in the periods ahead. I would like to thank to all our customers, shareholders, investors, our dedicated employees, and all other stakeholders.

Sincerely yours,

Abdülkadir AKSU
Chairman of the Board

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General Manager's Assessment

In the second quarter of 2019, tradewars, Brexit-related risks, and decisions of central banks of developed countries have remained important in the global economy. In this period, FED cut its policy interest rates by 25 basis points, due to slowdown in some macroeconomic data such as the inflation. European Central Bank (ECB), at its latest meeting, announced that it will monitor the market for some more time, and left the interest rates unchanged, contrary to the forecasts, despite the sharp fall in inflation rates and the stagnation in the economy.

During these worldwide developments in the second quarter of the year, the balancing process in Turkish economy have become more evident. While Turkish economy shrank by 2.6% in the first quarter compared to the same quarter of previous year, it recorded 1.3% compared to previous quarter, in terms of seasonally-and calendar-adjusted figures. The industrial production index announced in May had a performance above forecasts. Inflation rate was 0.03% in June, which was below forecasts, and sharply retreated annually to 15.72% from 18.71% in May, with the contribution of base effect. In light of the recent positive developments, Turkey's 5-year Credit Risk Swap (CDS) retreated to 350 basis points, which had seen 570 basis points last year.

Another important development in Turkey was the decision of Central Bank of the Republic of Turkey (CBRT) to cut its policy interest, for the first time in 4.5 years, as a result of modest recovery in the economy, and the improvement in inflation outlook. At the Monetary Policy Board's (PPK) July meeting, CBRT cut its policy interest rates by 425 basis points to 19.75%.

The steps taken under the New Economy Program and the announced support packages were the most important driving force of the balancing process. In this process, two financial packages were announced. Impetus Financing Package targets to provide a total of 30 billion Liras in financing, to raw material and intermediate goods production, machine manufacturing, and agriculture, via 3 state-owned banks. Economic Value Package was announced to provide a total facility of TL 25 billion to mitigate the financial burden on enterprises, with the participation of various banks. We will altogether see the positive effect on the macroeconomic data, of these packages, in the periods ahead.

In the first half of 2019, VakıfBank has continued to stand by every sector generating added value, including producers, industrialists, tradesmen, SME's, households and all businesses. In this period, our total assets have increased by 14.84% compared to 2018 year-end, to TL 380.5 billion. In the same period, our cash loans have increased well above the industry, by 12.80% to TL 250 billion. Non-cash credits reached TL 70.7 billion. Commercial loans of our Bank, which has been the supporter of real industry in this period especially, have increased by 14.43% to TL 194.7 billion. In addition, our Bank has continued to provide support to SME's during the transformation of our national economy, and became one of the most active banks in terms of SME Value Loan, which is created under the leadership of the Ministry of Treasury and Finance. SME loans have reached TL 63.7 billion. Retail loans have increased above the industry, by 7.43% to TL 55.2 billion.

While we continued to support Turkish economy with our loans, deposits continued to grow strongly. Deposits have increased by 19.45% compared to 2018 year-end, to TL 214.3 billion. In addition, our Bank has continued to be the one of the most active banks in international capital markets. With issuances under various programs, both our capital structure was strengthened, and the funding support to our national economy has continued. Our Bank has issued TL 1.5 billion worth of securities foreign countries, within the scope of Mortgage-Backed Securities (covered bond) program. In addition to this source, USD 600 million worth of Eurobonds were issued with the scope of medium-term bond issuance program, and Turkish Sovereign Fund-Market Stability and Balance Fund has issued EUR 700 million worth of Additional Tier-1 Capital. In addition, USD 1.1 billion worth of syndication loan, renewed by 100 percent, with the participation of 17 countries and 38 banks, has given a strong response to the speculations against Turkey.

In the recent period, our Bank has offered new inflation-linked products, considering the market's expectance, and our customers' sensitivity to inflation. With a customer-oriented approach, we continued to develop, strengthen and innovate the VakıfBank Mobile, our most effective channel, which has approximately 4 million users. Finally, sale of HGS and OGS products for all vehicle classes have been launched in this application, thus we became the first bank to offer these products to customers via branch, internet and mobile channels.

In the period ahead, we will continue to contribute in the national economy, with our vision of "being the Leader Bank of Strong Turkey". With our qualified human resources, robust capital structure, modern information technologies, we will continue to be power standing by all our stakeholders. With our policies steering today's and future's banking, and corporate perspective, aware of our social responsibilities, we will fulfil our duties in every aspect.

I would like to give my thanks to our customers have confidence in us, and to our shareholders, and to our employees for their efforts, our Board of Directors who have always supported us, and all other social stakeholders for their contribution.

Sincerely yours,

Abdi Serdar ÜSTÜNSALİH
General Manager and Executive Director

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Significant Financial Indicators (Unconsolidated)

BALANCE SHEET (Million TL)	JUNE 2019	DECEMBER 2018	CHANGE (%)
TOTAL ASSETS	380,525	331,356	14.84
SECURITIES PORTFOLIO	63,856	49,054	30.18
LOANS (*)	249,976	221,607	12.80
- Commercial Loans	194,747	170,195	14.43
- Retail Loans	55,229	51,412	7.43
DEPOSITS	214,295	179,408	19.45
- Term deposits	174,393	143,326	21.68
- Demand deposits	39,903	36,082	10.59
LOANS BORROWED	39,470	41,350	(4.55)
SUBORDINATED LOAN	18,270	13,022	40.30
SECURITIES ISSUED (NET)	27,264	22,347	22.00
EQUITY RESOURCES	29,275	28,350	3.26
NON-CASH LOANS	70,720	65,165	8.52

INCOME STATEMENT (Million TL)	JUNE 2019	JUNE 2018	CHANGE (%)
Financial period's Net Profit / Loss	1,019	2,125	(52.06)

INDICATOR RATIOS (%)	JUNE 2019	DECEMBER 2018
TOTAL LOANS / ASSETS(*)	65.69	66.88
LOAN/DEPOSIT(*)	116.65	123.52
NON-PERFORMING LOANS	4.74	4.65
CAPITAL ADEQUACY RATIO	17.01	16.99
RETURN ON AVERAGE ASSETS (ROAA) (**)	0.57	1.38
RETURN ON AVERAGE EQUITY (ROAE) (**)	7.07	16.10

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

Significant Financial Indicators (Consolidated)

BALANCE SHEET (Million TL)	JUNE 2019	DECEMBER 2018	CHANGE (%)
TOTAL ASSETS	393,909	344,638	14.30
SECURITIES PORTFOLIO	66,964	51,077	31.10
LOANS (*)	256,220	228,750	12.01
- Commercial Loans	200,985	177,333	13.34
- Retail Loans	55,235	51,418	7.42
DEPOSITS	217,584	182,476	19.24
- Term deposits	176,834	145,763	21.32
- Demand deposits	40,750	36,713	11.00
LOANS BORROWED	43,182	45,433	-4.95
SUBORDINATED LOAN	18,270	13,022	40.30
SECURITIES ISSUED (NET)	27,540	22,772	20.93
EQUITY RESOURCES	30,590	29,106	5.10
NON-CASH LOANS	71,702	66,029	8.59

INCOME STATEMENT (Million TL)	JUNE 2019	JUNE 2018	CHANGE (%)
Financial period's Net Profit / Loss	1,266	2,229	(43.21)

INDICATOR RATIOS (%)	JUNE 2019	DECEMBER 2018
TOTAL LOANS / ASSETS(*)	65.05	66.37
LOAN/DEPOSIT(*)	117.76	125.36
NON-PERFORMING LOANS	4.76	4.64
CAPITAL ADEQUACY RATIO	16.76	16.47
RETURN ON AVERAGE ASSETS (ROAA) (**)	0.69	1.45
RETURN ON AVERAGE EQUITY (ROAE) (**)	8.48	17.24

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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2019 Second Quarter Assessment

Having continued to grow in the second quarter of 2019, our Group has increased its total assets by 14.30% to TL 393,909 million. In this period, performing loans have increased by 12.01% to TL 256,220 million, and the rate of performing loans to the total assets has been 65.05%. In breakdown of loans, commercial loans have reached TL 200,985 million while retail loans have reached TL 55,235 million.

In the second quarter of 2019, our Group has increased deposits by 19.24% to TL 217,584 million.

In addition to deposits, our Group has issued commercial papers with a total nominal value of TL 8,871 million in the first half of 2019, via public offer and qualified investors in Turkey. Amount of funds provided from foreign countries has reached USD 3,826 million during in the year.

In the first half of 2019, our Group has earned a net profit of TL 1,266 million for the period. Our Group's capital adequacy ratio is currently 16.76%.

As of June 30th, 2019, our Group's number of branches has been 951, and the headcount has been 16,754.

After having downgraded Turkey's country rating from "Ba3" to "B1" on June 14th, 2019, Moody's International Rating Agency has downgraded the foreign currency bond rating of 6 Turkish banks including Türkiye Vakıflar Bankası T.A.O. from "B1" to "B2" on June 18th, 2019.

Fitch Ratings International Rating Agency has downgraded Long term TP rating of Türkiye Vakıflar Bankası T.A.O. "BB-" on June 20th, 2019.

Other Significant Developments

- 24th Period Collective Agreement negotiations between our Bank and the Banking, Finance and Insurance Workers' Union (BASS) covering the period between 01.05.2019–30.04.2021 have been concluded on 23.05.2019 with mutual agreement.
- Our Bank's Ordinary General Assembly Meeting has been held on May 27th, 2019. Results of the Ordinary General Assembly Meeting have been registered with Istanbul Trade Registry Office on June 11th, 2019.
- At the Parent Bank's 65th Ordinary General Assembly Meeting held on May 27th, 2019, regarding renewal of Directors; it has been resolved with majority of votes, to appoint, for 3 years in office as Board Members, Abdulkadir Aksu and Abdi Serdar Üstünsalih, and the Independent Member Şahap Kavcıoğlu representing Group (A), and Adnan Ertem representing Group (B), Şahin Uğur and Independent Member Dilek Yüksel representing Group (C), and the Independent Member Serdar Tunçbilek representing Group (D), and Sadık Yakut and Cemil Ragıp Ertem representing Group (A), (B), (C).
- At the Board of Directors' Meeting of our Bank held on 27.05.2019, and pursuant to relevant Articles of our Bank's Articles of Association, it has been resolved with unanimous decision to;
 - appoint Mr. Abdulkadir Aksu as Chairman of the Board,
 - appoint Mr. Şahap Kavcıoğlu as Deputy Chairman of the Board,
 - appoint Mr. Abdi Serdar Üstünsalih as the General Manager ,
 - appoint Mr. Şahap Kavcıoğlu and Mr. Serdar Tunçbilek to the Audit Committee,
 - appoint Mr. Şahap Kavcıoğlu and Mr. Serdar Tunçbilek as full members, and Mrs. Dilek Yüksel and Mr. Cemil Ragıp Ertem as reserve members, of the Credit Committee,
 - appoint Mr. Şahap Kavcıoğlu, Mr. Sadık Yakut, Mr. Ferkan Merdan, the Head of General Accounting and Finance, and also Mr. Mustafa Turan (as per Article 11 of Corporate Governance Communiqué,) the Head of International Banking and Investor Relationships as members of Corporate Governance Committee,
 - appoint Mr. Adnan Ertem, Mr. Şahin UĞUR and Mrs. Dilek Yüksel as members of Remuneration Committee.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2019**

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

- At the Board of Directors' meeting of our Bank, held on May 30th, 2019, the following resolutions on our Bank's Headquarters Organizational Structure have been taken.
- It is resolved that;
 - Mr. Yakup Şimşek to leave the office of Executive Vice President , and be appointed as associate general manager of Vakıf Faktoring A.Ş., one of our Bank's subsidiaries,
 - Mr. İlker Yeşil to leave the office of Executive Vice President, and be appointed as associate general manager of Taksim Otelcilik A.Ş., one of our Bank's subsidiaries,
 - Mr. Ersin Özoğuz to leave the office of Executive Vice President, and be appointed as associate general manager of Güneş Sigorta A.Ş., one of our Bank's subsidiaries,
 - Executive Vice President Mr. Şeyh Mehmet Boz to retire, and be appointed as associate general manager of Vakıf Gayrimenkul Değerleme A.Ş., one of our Bank's subsidiaries,
 - Mr. Hasan Ecesoy to leave the office of Executive Vice President, and be appointed as associate general manager of Vakıf Yatırım Menkul Değerler A.Ş., one of our Bank's subsidiaries,
 - to sever the connection with our Bank, of Executive Vice President Mr. Mehmet Emin Karağaç, by paying his legal benefits and terminating his employment contract, as he was in office at our Bank after retiring from another corporation.

On the other hand, it has been resolved;

- to appoint Mr. Alaattin Şimşek, a manager at our Bank's Headquarters, as Executive Vice President,
- to appoint Mr. Hazım Akyol, the Head of our Bank's Ankara Corporate Center Branch, as Executive Vice President,
- to appoint Mr. Ferkan Merdan, our Bank's General Accounting and Finance Head, as Executive Vice President,
- to appoint Mr. Muhammed Onay Özkan, our Bank's Treasury Management Head, as Executive Vice President,

and that the Associate General Managers so appointed start their new job after approval from the Banking Regulation and Supervision Board.

Amendment of the Articles of Association

Article 6 "Capital" of our Articles of Association has been amended, and such amendment has been registered on 11.06.2019 and published on Turkish Trade Registry Journal dated 17.06.2019. Our Bank's Articles of Association is available on <https://www.kap.org.tr/tr/Bildirim/768824>.

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