

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT MARCH 31, 2020
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 CONSOLIDATED 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 31 March 2020 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 three-month-period then ended. The Group 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 consolidated 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 as at 31 March 2020 include a free provision amounting to TL 852,000 thousand provided in prior years by the Group management which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation.



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 31 March 2020 and the consolidated results of its operations and its consolidated cash flows for the three-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, 18 May 2020

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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The consolidated financial report as at and for the three-month period ended March 31, 2020 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 AUDITORS' 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 three-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.

May 18, 2020

Abdülkadir AKSU
Chairman of The Board

Şahap KAVCIOĞLU
Deputy Chairman of the Board and
Audit 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

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR
THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(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 Republic of Turkey Ministry of Treasury and Finance.

As at March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019 is stated below:

Shareholders March 31, 2020	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Republic of Turkey Ministry of Treasury and Finance (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
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673,328	387,673	15.51
Other appendant foundations (Group B)	2,609,558	2,610	0.11
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,578,415	630,578	25.22
Total	2,500,000,000	2,500,000	100.00

Shareholders December 31, 2019	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Republic of Turkey Ministry of Treasury and Finance	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
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673,328	387,673	15.51
Other appendant foundations (Group B)	2,652,715	2,653	0.11
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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR
THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(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)**

With the Decree Law No. 696 published in the Official Gazette dated 24 December 2017, the "Türkiye Vakıflar Bankası Turkish Joint-Stock Company Law" No. 6219 was amended.

With the Presidential Decree dated December 3, 2019, published in line with the relevant provisions of Law No. 6219, 58.51% of the total of 43.00% (A) Group and 15.51% (B) Group, managed and represented by the General Directorate of Foundations' per share value of share is determined.

In accordance with the relevant provisions of the Law No. 6219, the provisions of the Capital Market Law, including the obligation to propose shares regarding the transfer transactions regarding the shares specified in the Presidential Decree of 3 December 2019, will not be applied. There will be no changes regarding the 25.22% shares of the (D) Group traded at the stock exchange.

The process regarding the transfer of bank shares has been completed as of 11 December 2019 and 58.51% of the Bank's share has been transferred to the Treasury and has been recorded in the Bank's share book on behalf of the Ministry of Treasury and Finance of the Republic of Turkey.

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THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(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
Board of Directors				
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	-
Audit Committee				
Doç.Dr.Şahap KAVCIOĞLU	Member	August 14, 2018	PhD	25 years
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	33 years
Auditor				
Yunus ARINCI	Auditor	March 19, 2010	Master’s	22 years
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	35 years
Assistant General Managers				
Metin Recep ZAFER	R&D and Business Intelligence Application Development, Basic Banking Application Development, Channel Management and Payment Systems App. Development, System Management, IT System and Application Support, IT Planning and Coordination, Treasury Operations, Foreign Operations, Banking Operations, Credit, Customer and Account Operations	June 13, 2006	PhD	24 years
Muhammet Lütü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	PhD	25 years
H.Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	Master’s	33 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	24 years
Mikail HIDİR	Credit Risk Planning and Monitoring Evaluation and Rating, Credit Risk Liquidation, Legal Affairs	December 26, 2018	Bachelor’s	16 years
Hazım AKYOL	Corporate Banking Marketing, Commercial Banking Marketing, Corporate Branches, Cash Management, Product Development and Foreign Trade Marketing	May 31, 2019	Bachelor’s	26 years
Alaattin ŞİMŞEK	Corporate Loans Allocation and Management SME and Retail Loans Allocation, Commercial Loans Allocation, Application of Credit Policies and Processes 1-2, Specific Loans Management	May 31, 2019	Bachelor’s	25 years
Ferkan MERDAN	Payment Systems, Digital Banking and Distribution Channels, Corporate Communication	May 31, 2019	Bachelor’s	23 years
Muhammed Onay ÖZKAN	Treasury Management, International Banking and Investor Relations, Treasury Middle Office	May 31, 2019	Master’s	19 years

The persons listed in the table above do not have any interest in the non-public part of the Bank.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR
THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(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)

Board of Directors Operations Chairmanship Departments and Support Services are working dependent to the General Manager.

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

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

Shareholders	Nominal Value of Shares	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Republic of Turkey Ministry of Treasury and Finance (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	-
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673	15.51	387,673	-

As of March 31 2020, and December 31, 2019 shareholder holding control over the Parent Bank is the Republic of Turkey Ministry of Treasury and Finance having 58.51% of the Bank’s outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

With the Decree Law No. 696 published in the Official Gazette dated December 24, 2017 and the Presidential Decree dated December 3, 2019, the changes in the capital structure of the Bank are explained in detail under the title II in the General Information Section I. of the report.

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:

The Parent Bank’s objective is to carry out all kinds of banking activities that deposit banks can perform, provided that the obligations specified in the Banking Law and other relevant legislation are fulfilled.

The Parent Bank shall exercise all the powers recognized by the provisions of the Banking Law and other relevant legislation in order to achieve its objectives.

In this framework, the Bank shall engage in activities such as to issue all kinds of cash and non-cash loans, either in Turkish Lira or foreign currency, to act as an intermediary in the export, purchase and sale of financial instruments, to carry out investment banking transactions, to buy, sell or transfer loans as wholesale or retail, to complete transactions in domestic and foreign futures markets, to provide funds from domestic and foreign interbank money market, to perform capital market transactions, to act as intermediary for import and export transactions, to act as agent for insurance and other financial institutions, and to participate in any partnership to which they may become a partner, without prejudice to the provisions of the capital market legislation, or to establish new partnerships for this purpose or to quit established partnerships.

The Parent Bank is also authorized to carry out the banking services of the registered and appendant foundations as well as the cash registers under the agreements to be made by the General Directorate of Foundations.

Without prejudice to the provisions of the relevant legislation, The Parent Bank may acquire, grant, issue, sell, transfer, pledge or mortgage to others, take pledges and mortgages on securities and real estate in its may lease or lease similar rights, annotate the lease and sale promise contracts to the title deed in his favor, and remove annotations for all kinds of movable properties, real estates and their rights, particularly industrial, intellectual and similar rights, right of incorporation and loyalty, rights of usufruct, easement and superior rights. The Parent Bank can establish, either individually or collectively in an equal manner, pledge or mortgage.

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THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(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
(Continued)**

The Parent Bank may acquire securities and real estates in order to carry out banking activities or collect its receivables within the legal limits and may dispose of them by sale, exchange and other forms when necessary.

The Parent Bank may obtain all kinds of collateral, guarantee in kind and personal guarantees, for the collection and provision of its rights and receivables. In this regard, the deed, tax offices and other public and private institutions before registration, cancellation, assignment and all other operations can do.

The Parent Bank and its consolidated subsidiaries are called as “The Group” in the report. As at March 31, 2020, The Parent Bank has 937 domestic, 3 foreign, in total 940 branches (December 31, 2019: 940 domestic, 3 foreign, in total 943 branches). As at March 31, 2020, The Parent Bank has 16,742 employees (December 31, 2019: 16,835 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 three-month period ended March 31, 2020, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama 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 full consolidated financial statements of the Group.

As of March 31, 2020, the Parent Bank continues to disclose Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ in the Assets Held for Sale and Discontinued Operations account, which was transferred from Subsidiaries Account in the prior period. Related subsidiaries are subject to consolidation within the scope of consolidation through the accounts subject to sales transactions in the assets and liabilities section of the balance sheet, and in the income statement as in the full consolidation method. For these subsidiaries, on April 22, 2020, a share transfer agreement was signed with TVF Finansal Yatırımlar AŞ and these share transfers were completed as of the same date.

As at and for the three-month period ended March 31, 2020, 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 Enternasyonal AŞ, Platform Ortak Kartlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası A.Ş., Bileşim Alternatif Dağıtım Kanalları AŞ, Birleşik İpotek Finansmanı AŞ and JCR Avrasya Derecelendirme AŞ 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 in accordance with TFRS 9.

**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 CONSOLIDATED FINANCIAL REPORT FOR
THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(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 MARCH 31, 2020

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

ASSETS	Notes	Current Period March 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		35,050,243	45,422,068	80,472,311	23,839,465	51,504,253	75,343,718
1.1 Cash and cash equivalents	V-I-1	3,041,599	25,365,219	28,406,818	2,399,213	40,329,046	42,728,259
1.1.1 Cash and balances at Central Bank	V-I-1	3,031,540	19,657,831	22,689,371	2,387,874	34,116,718	36,504,592
1.1.2 Banks	V-I-3	1,792	5,707,430	5,709,222	6,120	6,212,378	6,218,498
1.1.3 Receivables from Money Markets		14,416	-	14,416	14,535	-	14,535
1.1.4 Allowance for expected credit losses (-)	V-I-16	6,149	42	6,191	9,316	50	9,366
1.2 Financial assets at fair value through profit or loss	V-I-2	176,153	6,353,319	6,529,472	178,298	2,129,634	2,307,932
1.2.1 Public debt securities		196	6,247,001	6,247,197	198	2,017,593	2,017,791
1.2.2 Equity instruments		171,307	106,318	277,625	173,286	112,041	285,327
1.2.3 Other financial assets		4,650	-	4,650	4,814	-	4,814
1.3 Financial assets at fair value through other comprehensive income	V-I-4	26,338,668	12,151,901	38,490,569	17,673,354	8,126,945	25,800,299
1.3.1 Public debt securities		25,721,091	10,827,842	36,548,933	17,089,209	7,011,397	24,100,606
1.3.2 Equity instruments		14,131	4,343	18,474	14,131	3,924	18,055
1.3.3 Other financial assets		603,446	1,319,716	1,923,162	570,014	1,111,624	1,681,638
1.4 Derivative financial assets	V-I-2	5,493,823	1,551,629	7,045,452	3,588,600	918,628	4,507,228
1.4.1 Derivative financial assets at fair value through profit or loss		5,493,823	1,551,629	7,045,452	3,588,600	918,628	4,507,228
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST		249,536,661	116,928,226	366,464,887	224,392,334	106,479,466	330,871,800
2.1 Loans	V-I-5	230,080,248	101,435,884	331,516,132	202,068,252	92,213,963	294,282,215
2.2 Receivables from leasing transactions	V-I-10	772,759	2,174,229	2,946,988	696,678	2,077,438	2,774,116
2.3 Factoring receivables		2,188,094	363,830	2,551,924	2,504,062	369,208	2,873,270
2.4 Financial assets measured at amortised cost	V-I-6	33,083,489	13,163,946	46,247,435	35,004,414	12,010,219	47,014,633
2.4.1 Public debt securities		33,024,625	12,821,326	45,845,951	34,945,546	11,700,580	46,646,126
2.4.2 Other financial assets		58,864	342,620	401,484	58,868	309,639	368,507
2.5 Allowance for expected credit losses (-)		16,587,929	209,663	16,797,592	15,881,072	191,362	16,072,434
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	V-I-14	6,809,420	416,278	7,225,698	7,240,607	456,388	7,696,995
3.1 Held for sale purpose		6,809,420	416,278	7,225,698	7,240,607	456,388	7,696,995
3.2 Held from discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,526,941	3	1,526,944	1,481,250	3	1,481,253
4.1 Investments in associates (Net)	V-I-7	1,168,929	3	1,168,932	1,138,780	3	1,138,783
4.1.1 Associates accounted for using equity method		446,686	-	446,686	447,762	-	447,762
4.1.2 Unconsolidated associates		722,243	3	722,246	691,018	3	691,021
4.2 Investments in subsidiaries (Net)	V-I-8	358,012	-	358,012	342,470	-	342,470
4.2.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated non-financial subsidiaries		358,012	-	358,012	342,470	-	342,470
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	V-I-9	-	-	-	-	-	-
4.3.1 Jointly controlled partnerships accounted for using equity method		-	-	-	-	-	-
4.3.2 Unconsolidated jointly controlled partnerships		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		4,149,533	12,883	4,162,416	3,029,550	11,417	3,040,967
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		237,598	312	237,910	237,755	304	238,059
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		222,967	312	223,279	223,124	304	223,428
VII. INVESTMENT PROPERTIES (Net)	V-I-12	624,328	-	624,328	608,990	-	608,990
VIII. CURRENT TAX ASSETS		46	-	46	-	-	-
IX. DEFERRED TAX ASSETS	V-I-13	576,435	75,068	651,503	801,616	-	801,616
X. OTHER ASSETS	V-I-15	5,974,844	10,665,054	16,639,898	5,328,857	7,628,874	12,957,731
TOTAL ASSETS		304,486,049	173,519,892	478,005,941	266,960,424	166,080,705	433,041,129

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 MARCH 31, 2020

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

LIABILITIES AND EQUITY	Notes	Current Period March 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	149,455,272	121,966,994	271,422,266	142,276,343	111,854,405	254,130,748
II. BORROWINGS	V-II-3	2,075,684	44,516,187	46,591,871	2,286,766	42,776,918	45,063,684
III. MONEY MARKET FUNDS		39,204,529	5,735,823	44,940,352	19,825,274	5,598,794	25,424,068
IV. MARKETABLE SECURITIES (Net)	V-II-3	12,906,243	23,846,497	36,752,740	11,792,577	17,455,479	29,248,056
4.1 Bills		7,564,325	-	7,564,325	6,494,825	-	6,494,825
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		5,341,918	23,846,497	29,188,415	5,297,752	17,455,479	22,753,231
V. FUNDS		3,053	-	3,053	3,053	-	3,053
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,053	-	3,053	3,053	-	3,053
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	V-II-2	2,144,740	2,189,527	4,334,267	2,226,099	1,085,898	3,311,997
7.1 Derivative financial liabilities at fair value through profit or loss		2,144,740	2,189,527	4,334,267	2,226,099	1,085,898	3,311,997
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		1,295	-	1,295	1,823	549	2,372
IX. LEASE PAYABLES	V-II-5	1,000,929	78	1,001,007	935,839	99	935,938
X. PROVISIONS		2,301,395	41,394	2,342,789	2,219,860	39,067	2,258,927
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,192,549	5,149	1,197,698	1,153,968	3,997	1,157,965
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions	V-II-7	1,108,846	36,245	1,145,091	1,065,892	35,070	1,100,962
XI. CURRENT TAX LIABILITIES	V-II-8	546,269	3,004	549,273	1,138,988	3,003	1,141,991
XII. DEFERRED TAX LIABILITIES		3,829	-	3,829	1,232	30,758	31,990
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-9	5,330,293	300,070	5,630,363	5,018,668	353,532	5,372,200
13.1 Held for sale		5,330,293	300,070	5,630,363	5,018,668	353,532	5,372,200
13.2 Related to discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	V-II-10	6,248,203	11,074,572	17,322,775	6,394,877	12,850,576	19,245,453
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		6,248,203	11,074,572	17,322,775	6,394,877	12,850,576	19,245,453
XV. OTHER LIABILITIES	V-II-4	9,615,642	3,009,211	12,624,853	9,705,538	3,612,824	13,318,362
XVI. SHAREHOLDERS' EQUITY	V-II-11	34,235,227	249,981	34,485,208	32,573,508	978,782	33,552,290
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		796,918	-	796,918	839,941	-	839,941
16.2.1 Equity share premiums		723,962	-	723,962	723,962	-	723,962
16.2.2 Share cancellation profits	V-II-11	-	-	-	-	-	-
16.2.3 Other capital reserves	V-II-11	72,956	-	72,956	115,979	-	115,979
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1,659,029	-	1,659,029	1,659,676	-	1,659,676
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		488,669	(18,566)	470,103	561,289	682,614	1,243,903
16.5 Profit reserves		23,115,710	221,606	23,337,316	23,057,072	200,064	23,257,136
16.5.1 Legal reserves		2,585,276	17,882	2,603,158	2,538,782	10,669	2,549,451
16.5.2 Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3 Extraordinary reserves		20,073,452	200,109	20,273,561	20,061,308	185,780	20,247,088
16.5.4 Other profit reserves		450,645	3,615	454,260	450,645	3,615	454,260
16.6 Profit or loss		4,757,988	42,271	4,800,259	3,134,638	45,862	3,180,500
16.6.1 Prior years' profits or losses		3,022,530	11,374	3,033,904	(148,390)	(40,469)	(188,859)
16.6.2 Current period net profit or loss		1,735,458	30,897	1,766,355	3,283,028	86,331	3,369,359
16.7 Minority interests		916,913	4,670	921,583	820,892	50,242	871,134
TOTAL LIABILITIES AND EQUITY		265,072,603	212,933,338	478,005,941	236,400,445	196,640,684	433,041,129

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 MARCH 31, 2020

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

	Notes	Current Period March 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		143,056,672	225,602,276	368,658,948	130,858,298	206,289,254	337,147,552
I. GUARANTEES AND SURETIES	V-III-2	38,500,991	44,522,755	83,023,746	38,069,926	40,210,391	78,280,317
1.1. Letters of guarantee	V-III-1	37,896,523	25,387,409	63,283,932	37,379,041	21,625,025	59,004,066
1.1.1. Guarantees subject to State Tender Law		2,941,095	8,072,138	11,013,233	2,904,236	7,080,944	9,985,180
1.1.2. Guarantees given for foreign trade operations		1,374,326	-	1,374,326	1,322,033	-	1,322,033
1.1.3. Other letters of guarantee		33,581,102	17,315,271	50,896,373	33,152,772	14,544,081	47,696,853
1.2. Bank acceptances		6,957	5,099,330	5,106,287	7,842	4,574,992	4,584,834
1.2.1. Import letter of acceptance		-	234,712	234,712	-	220,683	220,683
1.2.2. Other bank acceptances		6,957	4,864,618	4,871,575	7,842	4,354,309	4,362,151
1.3. Letters of credit		123,319	13,557,866	13,681,185	141,830	13,590,815	13,732,645
1.3.1. Documentary letters of credit		123,319	13,557,866	13,681,185	141,830	13,590,815	13,732,645
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Pre-financing given as guarantee		-	5,241	5,241	-	4,736	4,736
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7. Factoring guarantees		357,962	158,224	516,186	324,144	142,897	467,041
1.8. Other guarantees		30,332	81,765	112,097	51,444	49,964	101,408
1.9. Other warranties		85,898	232,920	318,818	165,625	221,962	387,587
II. COMMITMENTS		55,842,899	32,480,978	88,323,877	50,408,925	32,589,509	82,998,434
2.1. Irrevocable commitments	V-III-1	48,109,591	4,032,127	52,141,718	43,325,448	5,794,937	49,120,385
2.1.1. Asset purchase and sales commitments	V-III-1	502,582	3,806,491	4,309,073	2,407,191	5,561,794	7,968,985
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		7,139	-	7,139	7,500	-	7,500
2.1.4. Loan granting commitments		21,411,128	1,371	21,412,499	18,076,739	2,340	18,079,079
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for checks payments	V-III-1	4,530,152	-	4,530,152	3,528,150	-	3,528,150
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits	V-III-1	19,263,739	-	19,263,739	17,293,741	-	17,293,741
2.1.10. Commitments for credit cards and banking services promotions		620,557	-	620,557	484,519	-	484,519
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		1,774,294	224,265	1,998,559	1,527,608	230,803	1,758,411
2.2. Revocable commitments		7,733,308	28,448,851	36,182,159	7,083,477	26,794,572	33,878,049
2.2.1. Revocable loan granting commitments		7,733,308	28,448,851	36,182,159	7,083,477	26,794,572	33,878,049
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		48,712,782	148,598,543	197,311,325	42,379,447	133,489,354	175,868,801
3.1. Derivative financial instruments held for hedging		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2. Trading transactions		48,712,782	148,598,543	197,311,325	42,379,447	133,489,354	175,868,801
3.2.1. Forward foreign currency purchase and sale transactions		3,287,391	3,788,785	7,076,176	2,320,043	2,217,584	4,537,627
3.2.1.1. Forward foreign currency purchase transactions		1,647,573	1,894,817	3,542,390	1,163,458	1,109,150	2,272,608
3.2.2.2. Forward foreign currency sales		1,639,818	1,893,968	3,533,786	1,156,585	1,108,434	2,264,019
3.2.2. Currency and interest rate swaps		36,929,448	129,338,484	166,267,932	30,978,513	115,422,998	146,401,511
3.2.2.1. Currency swap purchase transactions		1,642,788	46,360,795	48,003,583	1,781,342	38,137,242	39,918,584
3.2.2.2. Currency swap sale transactions		31,906,660	14,254,317	46,160,977	25,527,171	14,629,740	40,156,911
3.2.2.3. Interest rate swap purchase transactions		1,690,000	34,361,686	36,051,686	1,835,000	31,328,008	33,163,008
3.2.2.4. Interest rate swap sale transactions		1,690,000	34,361,686	36,051,686	1,835,000	31,328,008	33,163,008
3.2.3. Currency, interest rate and security options		1,650,039	470,444	2,120,483	576,987	759,416	1,336,403
3.2.3.1. Currency purchase options		164,409	142,724	307,133	367,787	294,076	661,863
3.2.3.2. Currency sale options		630	327,720	328,350	209,200	465,340	674,540
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		-	-	-	-	-	-
3.2.4.1. Currency purchases futures		-	-	-	-	-	-
3.2.4.2. Currency sales futures		-	-	-	-	-	-
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		8,330,904	15,000,830	23,331,734	8,503,904	15,089,356	23,593,260
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		2,730,321,029	2,214,721,188	4,945,042,217	2,297,605,505	1,578,274,516	3,875,880,021
IV. ITEMS HELD IN CUSTODY		77,776,088	19,142,436	96,918,524	76,566,563	15,168,557	91,735,120
4.1. Assets under management		2,531,287	-	2,531,287	2,113,691	-	2,113,691
4.2. Securities held in custody		57,067,818	6,199,229	63,267,047	57,617,522	5,230,911	62,848,433
4.3. Checks received for collection		9,597,267	1,699,322	11,296,589	8,743,308	1,190,464	9,933,772
4.4. Commercial notes received for collection		7,080,317	1,209,600	8,289,917	6,704,176	1,084,425	7,788,601
4.5. Other assets received for collection		2,152	264	2,416	2,152	238	2,390
4.6. Securities received for public offering		-	-	-	-	-	-
4.7. Other items under custody		309,558	6,431,187	6,740,745	204,705	4,909,862	5,114,567
4.8. Custodians		1,187,689	3,602,834	4,790,523	1,181,009	2,752,657	3,933,666
V. PLEDGED ITEMS		800,684,852	285,471,740	1,086,156,592	775,988,471	242,582,316	1,018,570,787
5.1. Marketable securities		880,001	101,276	981,277	299,466	44,434	343,900
5.2. Guarantee notes		916,838	2,050,252	2,967,090	837,716	1,783,494	2,621,210
5.3. Commodity		108,124,073	3,010,128	111,134,201	106,248,275	2,762,344	109,010,619
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		573,440,131	234,413,004	807,853,135	552,289,678	193,747,833	746,037,511
5.6. Other pledged items		116,706,837	45,777,647	162,484,484	115,697,559	44,107,197	159,804,756
5.7. Depositories receiving pledged items		616,972	119,433	736,405	615,777	137,014	752,791
VI. ACCEPTED GUARANTEES AND WARRANTIES		1,851,860,089	1,910,107,012	3,761,967,101	1,445,050,471	1,320,523,643	2,765,574,114
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		2,873,377,701	2,440,323,464	5,313,701,165	2,428,463,803	1,784,563,770	4,213,027,573

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 THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

	Notes	Current Period January 1, 2020- March 31, 2020	Prior Period January 1, 2019- March 31, 2019
I. INTEREST INCOME	V-IV-1	10,454,746	9,940,977
1.1 Interest on loans	V-IV-1	8,381,205	8,105,819
1.2 Interest received from reserve deposits		17,256	99,110
1.3 Interest received from banks	V-IV-1	50,911	92,905
1.4 Interest received from money market transactions		479	721
1.5 Interest received from marketable securities portfolio	V-IV-1	1,927,474	1,563,445
1.5.1 Financial assets at fair value through profit or loss		34,343	11,384
1.5.2 Financial assets at fair value through other comprehensive income		749,182	413,693
1.5.3 Financial assets measured at amortised cost		1,143,949	1,138,368
1.6 Finance lease interest income		61,769	56,341
1.7 Other interest income		15,652	22,636
II. INTEREST EXPENSES		5,373,608	7,412,756
2.1 Interest on deposits	V-IV-2	2,982,640	4,410,622
2.2 Interest on funds borrowed	V-IV-2	418,950	459,267
2.3 Interest on money market transactions		716,240	1,594,172
2.4 Interest on securities issued	V-IV-2	1,139,661	886,502
2.5 Leasing interest income		39,358	36,282
2.6 Other interest expenses		76,759	25,911
III. NET INTEREST INCOME/EXPENSE (I - II)		5,081,138	2,528,221
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		800,395	973,118
4.1 Fees and commissions received		1,025,726	1,201,981
4.1.1 Non-cash loans		180,326	165,843
4.1.2 Other		845,400	1,036,138
4.2 Fees and commissions paid (-)		225,331	228,863
4.2.1 Non-cash loans		1,546	1,670
4.2.2 Other		223,785	227,193
V. DIVIDEND INCOME		389	1,337
VI. TRADING PROFIT/LOSS (Net)	V-IV-3	(579,835)	170,929
6.1 Profit/losses from capital market transactions	V-IV-3	152,705	52,137
6.2 Profit/losses from derivative financial transactions	V-IV-3	(260,984)	8,924
6.3 Foreign exchange profit/losses	V-IV-3	(471,556)	109,868
VII. OTHER OPERATING INCOME	V-IV-4	3,403,903	1,925,221
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		8,705,990	5,598,826
IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	3,149,430	2,547,551
X. OTHER PROVISION EXPENSES (-)	V-IV-5	74,935	33,928
XI. PERSONNEL EXPENSES (-)		862,459	752,147
XII. OTHER OPERATING EXPENSES (-)	V-IV-6	2,368,624	1,319,724
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		2,250,542	945,476
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		13,386	14,304
XVI. NET MONETARY POSITION GAIN/LOSS		-	-
XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	2,263,928	959,780
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(460,492)	(163,665)
18.1 Current tax provision	V-IV-10	(148,772)	(52,003)
18.2 Expense effect of deferred tax (+)	V-IV-10	(454,551)	(638,741)
18.3 Income effect of deferred tax (-)	V-IV-10	142,831	527,079
XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	V-IV-9	1,803,436	796,115
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	1,803,436	796,115
25.1 Group's profit/(loss)		1,766,355	780,455
25.2 Minority shares (-)		37,081	15,660
Profit/Loss per 100 shares (full TL)	III-XXIV	0.7065	0.3122

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
THREE-MONTH PERIOD ENDED MARCH 31, 2020

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

		Current Period January 1, 2020- March 31, 2020	Prior Period January 1, 2019- March 31, 2019
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
I.	PROFIT (LOSS)	1,803,436	796,115
II.	OTHER COMPREHENSIVE INCOME	(774,864)	(95,367)
2.1.	Other comprehensive income that will not be reclassified to profit or loss	(1,064)	451
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	334	288
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(1,436)	218
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(181)	-
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	219	(55)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(773,800)	(95,818)
2.2.1.	Exchange Differences on Translation	6,781	93,660
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(959,983)	(306,953)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	5,479	81,722
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	173,923	35,753
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,028,572	700,748

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 THREE-MONTH PERIOD ENDED MARCH 31, 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY			Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity	
		Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5							6
Current Period March 31, 2020																	
I. Prior Period End Balance		2,500,000	723,962	-	115,979	1,068,152	(105,972)	697,496	407,474	879,787	(43,358)	23,257,136	3,180,499	-	32,681,155	871,134	33,552,289
II. Corrections and Accounting Policy Changes Made																	
2.1. According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		2,500,000	723,962	-	115,979	1,068,152	(105,972)	697,496	407,474	879,787	(43,358)	23,257,136	3,180,499	-	32,681,155	871,134	33,552,289
IV. Total Comprehensive Income		-	-	-	-	266	(768)	(145)	6,781	(786,060)	5,479	-	-	1,766,355	991,908	36,664	1,028,572
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		-	-	-	(43,023)	-	-	-	-	-	-	21,314	(87,729)	-	(109,438)	13,785	(95,653)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	58,866	(58,866)	-	-	-	-
11.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	58,866	(58,866)	-	-	-	-
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance (I+II+...X+XI)		2,500,000	723,962	-	72,956	1,068,418	(106,740)	697,351	414,255	93,727	(37,879)	23,337,316	3,033,904	1,766,355	33,563,625	921,583	34,485,208

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).

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 THREE-MONTH PERIOD ENDED MARCH 31, 2019

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity	
Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6								
Prior Period March 31, 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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	-	-	-	-	(456)	28	(5,121)	93,660	(271,200)	81,722	-	-	780,455	679,088	21,660	700,748	
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	-	2,760	-	-	-	-	-	-	60,738	(181,827)	-	(118,328)	(60,092)	(178,420)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Balance (I+II+...X+XI)		2,500,000	724,277	-	94,193	1,217,676	(41,329)	436,608	401,002	(388,969)	(20,570)	18,306,619	4,914,877	780,455	28,924,839	703,242	29,628,081	

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).

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THREE-MONTH PERIOD ENDED MARCH 31,
2020**

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

	Notes	Current Period March 31, 2020	Prior Period March 31, 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		3,623,896	1,897,691
1.1.1 Interest received (+)		9,051,723	9,040,633
1.1.2 Interest paid (-)		(5,399,306)	(7,094,075)
1.1.3 Dividends received (+)		381	1,337
1.1.4 Fees and commissions received (+)		1,254,845	1,201,981
1.1.5 Other income (+)		511,196	363,831
1.1.6 Collections from previously written off loans and other receivables (+)		801,560	510,818
1.1.7 Cash payments to personnel and service suppliers (-)		(871,689)	(820,377)
1.1.8 Taxes paid (-)		(749,391)	(388,029)
1.1.9 Other (+/-)		(975,423)	(918,428)
1.2 Changes in operating assets and liabilities subject to banking operations		(4,902,363)	(4,710,909)
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(4,199,469)	(322,016)
1.2.2 Net decrease (increase) in due from banks (+/-)		(183,199)	(3,605,619)
1.2.3 Net decrease (increase) in loans		(36,391,628)	(23,092,773)
1.2.4 Net decrease (increase) in other assets (+/-)		(1,546,263)	(1,164,173)
1.2.5 Net increase (decrease) in bank deposits (+/-)		1,141,977	2,527,124
1.2.6 Net increase (decrease) in other deposits (+/-)		16,183,252	16,483,259
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 (+/-)		1,626,273	(772,277)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		18,466,694	5,235,566
I. Net cash provided from banking operations(+/-)		(1,278,467)	(2,813,218)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities(+/-)		(11,487,901)	(5,886,312)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(104,200)	-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		350	-
2.3 Cash paid for the purchase of tangible and intangible asset (-)		(42,010)	(99,711)
2.4 Cash obtained from the sale of tangible and intangible asset (+)		15,237	102,118
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(15,976,339)	(6,417,451)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		2,664,401	1,024,261
2.7 Cash paid for the purchase of financial assets at amortised cost (-)		(161,933)	(741,660)
2.8 Cash obtained from sale of financial assets at amortised cost (+)		2,120,948	175,667
2.9 Other (+/-)		(4,355)	70,464
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities (+/-)		5,806,712	5,735,977
3.1 Cash obtained from funds borrowed and securities issued (+)		15,032,687	9,704,122
3.2 Cash outflow from funds borrowed and securities issued (-)		(9,126,737)	(3,884,333)
3.3 Equity instruments issued (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance lease liabilities (-)		(99,238)	(83,812)
3.6 Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		1,054,230	(78,893)
V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)		(5,905,426)	(3,042,446)
VI. Cash and cash equivalents at beginning of the period (+)		31,092,461	20,562,142
VII. Cash and cash equivalents at end of the period (V+VI)		25,187,035	17,519,696

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, 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.

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

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, communiques, 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 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.

Covid-19 virus, which first appeared in China and spread rapidly worldwide in a short time, started to appear in our country in March. Declared as an epidemic by the World Health Organization, Covid-19 had economic and social impacts worldwide. In order to slow down the epidemic, many measures have been taken, including in our country, to restrict travels around the world, to take quarantine measures, to increase distance work, and various arrangements are made to reduce the economic effects of the epidemic. The Group has explained the effects of Covid-19, which it reflects in the financial statements dated March 31, 2020, in the following sections.

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.

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

ACCOUNTING POLICIES (Continued)

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

Strategy for the use of financial instruments

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

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

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

Investments in marketable securities and lending loans generate higher return than the average rate of return of the 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.

While foreign exchange differences arising from amortized cost values of financial assets that fair value differences' in foreign currency is reflected in other comprehensive income are recognized in the income statement, the exchange differences calculated on unrealized gains and losses are accounted under the "Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss" item in equity.

In March 24, 2020, Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (ESV) shares, which are presented in the paid-in capital of Vakıfbank International AG Turkey Foundations Bank, are purchased by the Parent Bank.

Since the reporting period of September 30, 2016, the Group has been implementing a hedging strategy against net investment risk in order to protect itself from the exchange rate risk occurred by 75.7 million Euros out of Vakıfbank International AG's paid-in capital of 100 million Euros. 76.8 Million EUR portion of the securities issued by the Bank on 4 May 2016 with a nominal amount of 500 million Euros and the redemption date of 4 May 2021, were determined as hedging instruments. In this transaction, as long as the hedging is effective, the fair value changes related to the investments abroad, which is the hedged item, are recognized in the Other accumulated comprehensive income that will be reclassified in profit or loss account under Equity. In this context, as of March 31, 2020, the foreign exchange income amount recognised is 37,879 TL. The effectiveness of the transaction is; the degree of balance brought by the hedging instrument in the changes in fair value of the item that can be associated with the foreign currency risk.

As of March 31, 2020, 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 three-month period ended March 31, 2020, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama 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 of December 31, 2019, the parent Bank has removed Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ from the Subsidiaries account and companies are started to be classified under the Non-Current Assets or Disposal Groups “Held for Sale” and “From Discontinued Operations (Net)” account. Thus, the same changes applied to the consolidated tables, where Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are removed from the scope of consolidation and now classified under the Non-Current Assets or Disposal Groups “Held for Sale” and “From Discontinued Operations (Net)” account in the balance sheet. Lastly, they have been included in the consolidated financial statements of the Group in income statement as in full consolidation method. On April 22, 2020, relevant intangible assets were removed from Parent Bank accounts.

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 March 31, 2020 and December 31, 2019 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 March 31, 2020 and December 31, 2019, 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 three-month period ended March 31, 2020, 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 "IFRS 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.

Embedded derivative products are not separated from the articles of association and are accounted according to the standard on which the articles of association are based. As of March 31, 2020, the Bank does not have any embedded derivative financial instruments.

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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

Group 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.

Group 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.

Classification and Measurement of Financial Instruments

According to TFRS 9, the classification and measurement of financial assets is determined according to the business model in which the financial asset is managed and whether it depends on the contractual cash flows that include interest payments only on the principal and principal balances.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Assessments on whether contractual cash flows include only principal balances and interest payments on the principal

Within the scope of this evaluation; principal is defined as the fair value of the financial asset when it is first recognized in the financial statements. For the time value of money, interest takes into account the costs (eg liquidity risk and management costs) for the credit risk and other underlying credit risks and profit margin associated with the principal amount over a period of time.

The Parent Bank takes into consideration the contractual terms of the financial asset in the evaluation of the contractual cash flows that only include principal and interest payments on the principal. This includes assessing whether the financial asset includes a contractual condition that could change the timing or amount of contractual cash flows.

While performing the assessment, The Parent Bank fulfills the on-balance sheet classification and measurement criteria by applying the procedures defined in TFRS 9 Financial Instruments including events that may change the amount and timing of cash flows, leverage structure of the financial product, early payment options, contingent interest rate changes and similar conditions.

At the time of initial recognition, each financial asset is classified as measured at fair value through profit or loss, at amortized cost, or at fair value through profit or loss.

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 amortised cost and the fair value of financial assets at fair value through other comprehensive income are not reflected 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 “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Securities representing the share in the capital classified as financial assets at fair value through other comprehensive income are recognized at fair value. Exceptionally, cost may be an appropriate estimation method for determining fair value. This is only possible if there is not enough recent information on the measurement of fair value or if the fair value can be measured with more than one method and the cost reflects the fair value estimation among these methods in the best way.

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.

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 "IFRS 9 Financial Instruments" (IFRS 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.

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ACCOUNTING POLICIES (Continued)

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.

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 approxiamate 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.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

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. Scenario weights used in calculation of the expected loan loss allowance were reconsidered and the bad scenario weight was increased in order to reflect the effects of Covid-19. The future macroeconomic expectations taken into account into TFRS 9 are in line with the Bank's current budget and ISEDES forecasts.

The models and methodologies used for TFRS 9 are evaluated at least once a year by the teams responsible for the model and methodology for their accuracy and suitability.

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. During the reporting period, arrangements were made in macroeconomic forecasts to reflect the negative effects of Covid-19.

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.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

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.

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.

In accordance with the BRSA's decision no. 8970, according to the fourth article of the "Regulation on Classification of Loans and Procedures and Principles for Provisions to Be Allocated for them", as of 17 March 2020, the 30-day delay period for the reclassification of loans from Stage 1 to Stage 2 started to be applied as 90 days until December 31, 2020. The Parent Bank continues to calculate the expected allowance for credit losses according to its own risk models.

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.

Due to COVID-19, effective as of 17 March 2020, the "more than 90 days past due" condition used in the definition of default for the classification of loans has started to be applied as "more than 180 days past due" in accordance with the 4th and 5th articles of "Regulation on Classification of Loans and Procedures and Principles for Provisions to Be Allocated for them" announcement of BRSA. This application will be valid until December 31, 2020. In accordance with the related amendment, the Parent Bank has made provision in accordance with its risk policies.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Write off Policy

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as “Group V Loan” (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. The Bank performs objective and subjective assessments whether there is reasonable expectation. In accordance with the amendment in the related regulation on provisions, the deduction of loans from the records is an accounting practice and does not result in the right to waive. There is TL 888,478 of write-off for the current period.

Asset Sales Policy

Banks that are directly or indirectly owned by the public or banks that are controlled by the public and financial institutions qualified as subsidiaries to these Banks can sell non-performing loans to asset management companies. As of March 31, 2020, the Bank has no assets on sale.

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.

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.

As per the Board of Directors decision in December 13th, 2019, the Bank has started the process of transfer of shares held in subsidiaries Güneş Sigorta and Vakıf Emeklilik ve Hayat A.Ş. respectively, including publicly held shares, to a new company to be established by Türkiye Varlık Fonu Yönetimi A.Ş. These two companies have been removed from the subsidiaries account and started to be classified under the Assets for Sale and Discontinued Operations account. The method of consolidation of the related companies is specified in the third section, Accounting Policies IV.

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ACCOUNTING POLICIES (Continued)

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

On April 22, 2020, a share transfer agreement was signed between TVF Financial Investments as the buyer and the Bank as the seller, in order to transfer the Banks shares which represent 51.1% of Güneş Sigorta AŞ's capital and 53.9% of Vakıf Emeklilik ve Hayat AŞ's capital to TVF Financial Investments AŞ ("TVF Financial Investments"). The share transfer has been completed as of the same date. As a result of the beforementioned transaction, the share of TVF Financial Investments in Güneş Sigorta AŞ increased to 61.1% and the share of Vakıf Emeklilik ve Hayat AŞ to 62.9%.

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ACCOUNTING POLICIES (Continued)

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The difference between the values of net assets in the financial statements prepared as of the date of the change of shares in the real estate project in which Vakıfbank Gayrimenkul Yatırım Ortaklığı AŞ, which is a subsidiary of the Parent Bank, participates and fair value of the project partnership are classified under Intangible Assets - Goodwill Arising from Purchasing Accounting. As of March 31, 2020, the goodwill amount is 14,631 TL.(December 31,2019: 14,631 TL)

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 December 31, 2004 from the date when they entered into force, taking into account the period until December 31, 1 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%.

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.

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ACCOUNTING POLICIES (Continued)

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 group operates as a lessee and lessor.

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.

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 Parent 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 Parent Bank discloses the contingent asset.

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ACCOUNTING POLICIES (Continued)

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 March 31, 2020 is TL 6,730 (full TL) (December 31, 2019: TL 6,380 (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.

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.

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ACCOUNTING POLICIES (Continued)

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

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, 2019 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at March 31, 2020.

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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. No further tax is paid if the profit is not distributed.

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 17th 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 procedure in Turkey that provides the opportunity to come to a mutual agreement with the tax authorities about tax due. 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.

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.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

Banking and Insurance Transaction Tax

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

Deferred taxes

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

According to 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 March 31, 2020, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 178,100 (December 31, 2019: TL 197,513).

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 three-month period ended March 31, 2020, earnings per 100 shares are full TL 0.7065 (March 31, 2019: full TL 0.3122).

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 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.

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 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.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees.

Classifications

None.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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 Parent Bank has applied the simplified transition approach and elected not to restate comparative figures. The Parent Bank has not reassessed whether a contract is a lease or not a lease at the date of initial application for leases previously classified as operating leases in accordance with TAS 17 by preferring simplified transition approach. For the leases previously classified as operational leases in accordance with TAS 17, the lease liability calculated on the present value of the remaining lease payments, discounted using the alternative borrowing interest rate of the lessee at the initial application date is reflected to the financial statements. A right of use is also reflected in the financial statements at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately prior to the initial application date, adjusted for the amount of all prepayment or accrued lease payments.

The amounts recognized under IFRS 16 as of March 31, 2020 and December 31, 2019 are presented below.

	March 31, 2020		
	Service Buildings	Vehicles	Total
Lease payables	1,472,367	23,547	1,495,914
Deferred rental expenses	491,922	2,985	494,907
Lease payables (Net)	980,445	20,562	1,001,007
Right of use assets	935,500	19,304	954,804

	December 31, 2019		
	Service Buildings	Vehicles	Total
Lease payables	1,413,536	20,589	1,434,125
Deferred rental expenses	495,782	2,405	498,187
Lease payables (Net)	917,754	18,184	935,938
Right of use assets	876,242	16,979	893,221

Short term lease contracts with a duration of 12 months or less and lease contracts for ATMs that are determined to be of low value by the Bank have been evaluated within the scope of the exemption recognized by the standard, and payments for these contracts are recorded as expense in the period they occur. In this context, 17,888 TL of lease payments were made in the related period.(March 31, 2019 : 3,499)

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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”.

Additionally, the recent revision changes considered are as follows:

In accordance with the BRSA regulation dated March 23, 2020 and numbered 3397, in the calculation of capital adequacy ratio, equity amount was used for the ones acquired before this date, excluding the negative valuation differences of securities in the “Fair Value of Financial Assets Through Other Comprehensive Income” portfolio.

In accordance with the BRSA regulation dated March 23, 2020 and numbered 3397, in the calculation of TL equivalents of credit risks, which are subject to foreign currency and acquired before this date, the foreign exchange buying rate is taken into consideration, which was the basis in the preparation of the financial statements dated December 31, 2019.

As of March 31, 2020 Group’s equity amount TL 51,695,636 (December 31, 2019: TL 52,330,948) and capital adequacy ratio is 14.56% (December 31, 2019: 16.22%).

Information about the consolidated shareholder equity items

	Amount	Amount as per the regulation before 1/1/2014(*)
Current Period - March 31, 2020		
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,962	
Reserves	23,337,316	
Income recognized under equity in accordance with TAS	2,748,004	
Profit	4,800,259	
Current Period’s Profit	1,766,355	
Prior Period’s Profit	3,033,904	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	72,956	
Minority shares	918,309	
Common Equity Tier 1 Capital Before Deductions	35,100,806	
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	156,100	-
Leasehold Improvements on Operational Leases	191,165	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	234,690	237,910
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	581,955	
Common Equity Tier 1 capital (CET1)	34,518,851	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank’s borrowing instruments and related issuance premium	10,041,870	
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	10,041,870	
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 CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Current Period- March 31, 2020		
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)	10,041,870	-
Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)	44,560,721	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	3,075,680	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	325,763	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	3,274	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4,061,342	-
Tier 2 Capital Before Deductions	7,140,296	-
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	7,140,296	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	51,701,017	-
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 (-)	5,381	-
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	51,695,636	-
Total Risk Weighted Amounts	355,108,366	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	9.72	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	12.55	-
Consolidated Capital Adequacy Ratio (%)	14.56	-
BUFFERS		
Total buffer requirement (a+b+c)	3,519	-
a) Capital conservation buffer requirement (%)	2,500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.019	-
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 (%)	5.22	-
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)	4,416,417	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	4,061,342	-
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 CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Prior Period - December 31, 2019		
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	723,962	-
Reserves	23,257,136	-
Income recognized under equity in accordance with TAS	3,144,156	-
Profit	3,180,500	-
Current Period's Profit	3,369,359	-
Prior Period's Profit	(188,859)	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	115,979	-
Minority shares	859,371	-
Common Equity Tier 1 Capital Before Deductions	33,781,104	-
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	240,577	-
Leasehold Improvements on Operational Leases	194,483	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	234,853	238,059
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	669,913	-
Common Equity Tier 1 capital (CET1)	33,111,191	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	9,670,380	-
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	9,670,380	-
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, 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	9,670,380	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	42,781,571	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,873,555	-
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)	11,763	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,669,673	-
Tier 2 Capital Before Deductions	9,554,991	-
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	9,554,991	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	52,336,562	-
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 (-)	5,614	-
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	52,330,948	-
Total Risk Weighted Amounts	322,729,325	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	10.26	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.26	-
Consolidated Capital Adequacy Ratio (%)	16.22	-
BUFFERS		
Total buffer requirement (a+b+c)	3,520	-
a) Capital conservation buffer requirement (%)	2,500	-
b) Bank specific counter-cyclical buffer requirement (%)	0,020	-
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 (%)	5.76	-
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)	3,736,281	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,669,673	-
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.

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - March 31, 2020						
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	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFBA0043	XS1984644812	TRSVKFB92925
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)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital Currency in million, as of most recent reporting date)	326	1,500	525	4,994	5,048	725
Par value of instrument (in million)	4,108	1,500	525	4,994	5,048	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011-Subordinated Liabilities
Original date of issuance	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 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 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.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

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	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	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date
Coupon rate and any related index	6% 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	TLREF + 150 basis points
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. 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.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	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 or temporary write down feature.	Has permanent or temporary write down feature.	Has permanent 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 write-up mechanism.	Has write-up mechanism.	Has no 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.	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.	Before the debt instruments to be included in the additional 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 7	Possess Article 7	Possess Article 8
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	Possess Article 7	Possess Article 7	Not Possess Article 7

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Prior Period - December 31, 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.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB0043	XS1984644812	TRSVKFB92925
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	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.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	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)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	488	2,780	1,355	525	4,994	4,677	725
Par value of instrument (in million)	4,119	2,788	1,355	525	4,994	4,677	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011-Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 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	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	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.	Early call date at the end of five years.
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	Only one call option is available

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

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	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date
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	TLREF + 150 basis points
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible							
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	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.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	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.	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.	Has permanent 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.	Has no 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.	Before the debt instruments to be included in the additional 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	Possess Article 7	Possess Article 8
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	Not Possess Article 7

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	Current Period March 31, 2020	Prior Period December 31, 2019
Shareholders’ equity	34,485,208	33,552,290
Valuation differences of the marketable securities	462,772	-
Leasehold improvements on operational leases	(191,165)	(194,483)
Goodwill and intangible assets and related deferred tax liabilities	(234,690)	(234,853)
General provision (1.25% of the amount that subject to credit risk)	4,061,342	3,669,673
Subordinated debt	13,117,550	15,543,935
Deductions from shareholders’ equity	(5,381)	(5,614)
Capital	51,695,636	52,330,948

^(*)In accordance with the BRSA regulation dated March 23, 2020 and numbered 3397, in the calculation of capital adequacy ratio, equity amount was used for the ones acquired before this date, excluding the negative valuation differences of securities in the “Fair Value of Financial Assets Through Other Comprehensive Income” portfolio.

^(**)In accordance with the BRSA regulation dated March 23, 2020 and numbered 3397, in the calculation of TL equivalents of credit risks, which are subject to foreign currency and acquired before this date, the foreign exchange buying rate is taken into consideration, which was the basis in the preparation of the financial statements dated December 31, 2019.

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 March 31, 2020 and December 31, 2019, 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	6.5900	7.21185
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	6.5789	7.2536
Day 2	6.4516	7.0888
Day 3	6.4020	7.0241
Day 4	6.4641	6.9886
Day 5	6.4537	6.9603
	US Dollar	Euro
Last 30-days arithmetical average rate	6.2913	6.9198

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

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

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period- March 31, 2020	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	8,682,463	9,500,187	1,475,181	19,657,831
Banks	828,966	3,640,749	1,237,715	5,707,430
Financial assets at fair value through profit or loss	-	106,318	6,247,001	6,353,319
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	8,384,352	3,767,549	-	12,151,901
Loans ^{(1) (2)}	53,206,212	51,674,664	102,458	104,983,334
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	5,802,463	7,361,483	-	13,163,946
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,222	11,661	-	12,883
Intangible assets	312	-	-	312
Other assets ⁽³⁾	3,796,355	8,233,962	5,868	12,036,185
Total assets	80,702,348	84,296,573	9,068,223	174,067,144
<i>Liabilities:</i>				
Bank deposits	4,072,583	2,440,461	125,679	6,638,723
Foreign currency deposits	49,770,989	56,191,837	9,365,445	115,328,271
Interbank money market takings	2,487,082	3,248,741	-	5,735,823
Other funding	19,223,372	25,285,985	6,830	44,516,187
Securities issued ⁽⁴⁾	8,964,467	25,915,713	40,889	34,921,069
Miscellaneous payables	853,267	195,714	193	1,049,174
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽⁵⁾	579,495	3,638,609	4,365	4,222,469
Total liabilities	85,951,255	116,917,060	9,543,401	212,411,716
Net ‘on balance sheet’ position	(5,248,907)	(32,620,487)	(475,178)	(38,344,572)
Net ‘off-balance sheet’ position	6,573,132	25,181,180	506,982	32,261,294
Derivative assets ⁽⁶⁾	16,147,884	32,669,258	1,653,920	50,471,062
Derivative liabilities ⁽⁶⁾	9,574,752	7,488,078	1,146,938	18,209,768
Non-cash loans ⁽⁷⁾	21,272,669	22,706,851	543,235	44,522,755
Prior Period - December 31, 2019	Euro	US Dollar	Other FC	Total
Total assets	81,238,372	81,257,419	4,773,065	167,268,856
Total liabilities	78,139,496	110,526,130	6,692,965	195,358,591
Net ‘on balance sheet’ position	3,098,876	(29,268,711)	(1,919,900)	(28,089,735)
Net ‘off-balance sheet’ position	(1,473,866)	23,197,295	1,937,708	23,661,137
Derivative assets ⁽⁶⁾	8,297,016	32,111,731	2,728,069	43,136,816
Derivative liabilities ⁽⁶⁾	9,770,882	8,914,436	790,361	19,475,679
Non-cash loans ⁽⁷⁾	18,482,281	21,259,341	468,769	40,210,391

⁽¹⁾ Foreign currency indexed loans amounting to TL 775,090 (December 31, 2019: TL 1,201,801) 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 234,301 (December 31, 2019: TL 244,250) presented in TL column in the accompanying consolidated balance sheet are included.

⁽³⁾ Prepaid expenses amounting to TL 123,696 (December 31, 2019: TL 129,290) and derivative financial assets resulting from currency exchange rate rediscounts amounting to TL 338,443 (December 31, 2019: TL 128,610) are not included.

⁽⁴⁾ Subordinated loans are shown under securities issued.

⁽⁵⁾ Unearned revenues amounting to TL 184,084 (December 31, 2019: TL 211,672), currency-induced rediscounts arising from derivatives transactions amounting to TL 87,557 (December 31, 2019: 60,881) and equities amounting to TL 249,981 (December 31, 2019: TL 978,782) deferred tax liability amounting are not included (December 31, 2019: TL 30,758).

⁽⁶⁾ Asset purchase commitments amounting to TL 1,980,229 (December 31, 2019: TL 2,203,998) and asset sales commitments amounting to TL 1,826,262 (December 31, 2019: TL 3,357,796) are included.

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

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INFORMATION RELATED TO CONSOLIDATED 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 three-month period ended March 31, 2020 and March 31, 2019 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- March 31, 2020		Prior Period- March 31, 2019	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(745,097)	(745,097)	(336,053)	(336,053)
Euro	132,269	243,386	154,427	247,776
Other currencies	3,180	3,180	1,161	1,161
Total, net (**)	(609,648)	(498,531)	(180,465)	(87,116)

(*) 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 three-month period ended March 31, 2020 and March 31, 2019 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- March 31, 2020		Prior Period- March 31, 2019	
	Profit or loss	Equity (*)	Profit or loss	Equity(*)
US Dollar	745,097	745,097	336,053	336,053
Euro	(132,269)	(243,386)	(154,427)	(247,776)
Other currencies	(3,180)	(3,180)	(1,161)	(1,161)
Total, net (**)	609,648	498,531	180,465	87,116

(*) 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 CONSOLIDATED 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- March 31, 2020	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	821,577	-	-	-	-	21,867,794	22,689,371
Banks	2,481,418	748,517	-	-	-	2,479,287	5,709,222
Financial assets at fair value through profit/loss	2,069	196	4,662,487	1,584,514	-	280,206	6,529,472
Interbank money market placements	14,416	-	-	-	-	-	14,416
Financial assets at fair value through other comprehensive income	1,237,445	6,543,435	8,819,837	14,105,380	7,765,999	18,473	38,490,569
Loans ^(*)	80,173,243	54,223,267	90,548,625	60,019,448	34,168,810	17,881,651	337,015,044
Financial assets measured at amortized cost	4,514,552	8,158,955	13,851,090	14,921,212	4,801,626	-	46,247,435
Other assets ^(**)	1,274,185	1,335,731	447,420	2,488,779	1,577,100	14,187,197	21,310,412
Total assets	90,518,905	71,010,101	118,329,459	93,119,333	48,313,535	56,714,608	478,005,941
<i>Liabilities:</i>							
Bank deposits	7,679,043	3,082,149	188,908	-	-	701,779	11,651,879
Other deposits	152,843,521	33,210,051	15,026,225	1,305,604	60,763	57,324,223	259,770,387
Interbank money market takings	38,072,838	4,494,349	964,135	1,044,160	364,870	-	44,940,352
Miscellaneous payables	-	-	-	-	-	7,767,928	7,767,928
Securities issued ^(***)	1,308,161	3,424,890	6,283,143	38,022,414	5,036,907	-	54,075,515
Funds borrowed	2,046,198	28,128,378	8,560,915	5,261,652	1,477,182	1,117,546	46,591,871
Other liabilities ^(****)	523,819	119,195	137,756	2,276,574	1,853,143	48,297,522	53,208,009
Total liabilities	202,473,580	72,459,012	31,161,082	47,910,404	8,792,865	115,208,998	478,005,941
On balance sheet long position	-	-	87,168,377	45,208,929	39,520,670	-	171,897,976
On balance sheet short position	(111,954,675)	(1,448,911)	-	-	-	(58,494,390)	(171,897,976)
Off-balance sheet long position	3,166,829	7,506,963	-	-	-	-	10,673,792
Off-balance sheet short position	-	-	(209,687)	(2,829,092)	(1,839,264)	-	(4,878,043)
Net position	(108,787,846)	6,058,052	86,958,690	42,379,837	37,681,406	(58,494,390)	5,795,749

(*) 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 CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period- December 31, 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	339,913	-	-	-	-	36,164,679	36,504,592
Banks	3,303,790	603,035	329,183	-	-	1,982,490	6,218,498
Financial assets at fair value through profit/loss	199	-	2,019,711	-	-	288,022	2,307,932
Interbank money market placements	14,535	-	-	-	-	-	14,535
Financial assets at fair value through other comprehensive income	2,262,635	1,985,624	7,692,370	8,212,306	5,629,310	18,054	25,800,299
Loans ^(*)	78,288,213	38,401,850	85,452,931	52,678,243	27,290,137	17,818,227	299,929,601
Financial assets measured at amortized cost	9,120,723	4,987,724	12,906,825	13,666,366	6,332,995	-	47,014,633
Other assets ^(**)	629,914	721,430	266,623	2,253,453	746,922	10,632,697	15,251,039
Total assets	93,959,922	46,699,663	108,667,643	76,810,368	39,999,364	66,904,169	433,041,129
<i>Liabilities:</i>							
Bank deposits	6,416,799	3,135,429	311,986	-	-	651,040	10,515,254
Other deposits	139,688,798	35,484,320	16,962,445	1,484,184	41,826	49,953,921	243,615,494
Interbank money market takings	21,550,539	2,749,500	383,796	740,233	-	-	25,424,068
Miscellaneous payables	-	-	-	-	-	8,531,664	8,531,664
Securities issued ^(***)	2,355,658	4,353,007	2,989,974	31,860,385	6,934,485	-	48,493,509
Funds borrowed	2,255,577	28,558,228	8,462,570	3,407,580	1,360,533	1,019,196	45,063,684
Other liabilities ^(****)	569,198	764,191	81,040	2,033,618	1,066,200	46,883,209	51,397,456
Total liabilities	172,836,569	75,044,675	29,191,811	39,526,000	9,403,044	107,039,030	433,041,129
On balance sheet long position	-	-	79,475,832	37,284,368	30,596,320	-	147,356,520
On balance sheet short position	(78,876,647)	(28,345,012)	-	-	-	(40,134,861)	(147,356,520)
Off-balance sheet long position	2,535,875	4,804,841	-	-	-	-	7,340,716
Off-balance sheet short position	-	-	(207,784)	(341,823)	(1,938,734)	-	(2,488,341)
Net position	(76,340,772)	(23,540,171)	79,268,048	36,942,545	28,657,586	(40,134,861)	4,852,375

(*) 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 CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period- March 31, 2020	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	8.00
Banks	0.01	0.65	-	10.76
Financial assets at fair value through profit/loss	-	-	-	6.84
Interbank money market placements	-	-	-	9.50
Financial assets at fair value through other comprehensive income	3.59	5.76	-	12.00
Loans	5.15	7.18	-	13.94
Financial assets measured at amortized cost	4.62	6.65	-	11.37
<i>Liabilities:</i>				
Bank deposits	0.35	1.75	-	9.09
Other deposits	0.41	1.34	-	9.05
Interbank money market takings	1.01	2.44	-	9.23
Miscellaneous payables	-	-	-	-
Securities issued ^(**)	4.04	5.84	-	10.78
Funds borrowed	1.94	3.39	-	6.39
Prior Period - December 31, 2019				
	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	10.00
Banks	0.01	1.67	-	11.00
Financial assets at fair value through profit/loss	-	-	-	0.83
Interbank money market placements	-	-	-	11.57
Financial assets at fair value through other comprehensive income	3.29	6.90	-	15.79
Loans	5.46	7.57	-	16.41
Financial assets measured at amortized cost	4.62	6.73	-	12.82
<i>Liabilities:</i>				
Bank deposits	0.50	2.65	-	11.09
Other deposits	0.51	2.16	-	10.41
Interbank money market takings	0.85	2.86	-	11.21
Miscellaneous payables	-	-	-	-
Securities issued ^(**)	4.04	6.13	-	12.59
Funds borrowed	2.00	4.16	-	8.01

^(*) 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 CONSOLIDATED 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- March 31, 2020	Comparison		Market Value ^(*)
	Carrying Value	Fair Value ^(*)	
Stock Investments			
Stocks quoted in exchange^(*)	433,990	433,990	433,990
1.Stocks Investments Group A	433,943	433,943	433,943
2.Stock Investments Group B	47	47	47
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	1,389,053	1,293,726	1,293,726

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

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

Prior Period - December 31, 2019	Comparison		Market Value ^(*)
	Carrying Value	Fair Value ^(*)	
Stock Investments			
Stocks quoted in exchange^(*)	437,619	437,619	437,619
1.Stocks Investments Group A	436,003	436,003	436,003
2.Stock Investments Group B	1,616	1,616	1,616
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	1,347,016	1,283,227	1,283,227

^(*) 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 - March 31, 2020	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	694,118	694,118	-	-
4. Total	-	694,118	694,118	-	-

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

Portfolio-Current Period - December 31, 2019	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	763,262	763,262	-	-
4. Total	-	763,262	763,262	-	-

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

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

IV. CONSOLIDATED STOCK POSITION RISK (Continued)

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period - March 31, 2020	Carrying Value	Total RWA ^(*)	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	433,990	432,193	34,575
3.Other Stocks	1,389,053	1,335,431	106,835
4. Total	1,823,043	1,767,624	141,410

^(*)In accordance with the BRSA regulation dated March 23, 2020 and numbered 3397, in the calculation of TL equivalents of credit risks, which are subject to foreign currency, the foreign exchange buying rate is taken into consideration, which was the basis in the preparation of the financial statements dated December 31, 2019.

Portfolio-Prior Period- December 31, 2019	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	437,619	437,619	35,010
3.Other Stocks	1,347,016	1,347,016	107,761
4. Total	1,784,635	1,784,635	142,771

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 CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Liquidity management in the Parent Bank is carried out under Treasury Department in regard to the Parent Bank’s strategic goals and projections, decisions taken in Asset/Liability Committee, treasury policies, limits defined under market circumstances, the Parent 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 Parent 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 Risk Management Department and measurement results are reported regularly to performer units responsible of management of the related risk and top management and the Board of Directors.

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

In line with the Covid-19 outbreak, which caused a serious slowdown in global and regional economic activities, liquidity adequacy is constantly monitored through stress tests and scenario analyzes.

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INFORMATION RELATED TO CONSOLIDATED 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	March 2020	111.41	March 2020	450.19
The highest value	January 2020	134.60	January 2020	527.72

Liquidity Coverage Ratio

Current Period- March 31, 2020		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			74,484,192	46,762,348
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	127,584,747	58,992,576	11,048,417	5,899,258
3	Stable deposits	34,201,156	-	1,710,058	-
4	Less stable deposits	93,383,591	58,992,576	9,338,359	5,899,258
5	Unsecured wholesale funding, of which:	124,127,606	50,412,556	55,477,765	22,853,361
6	Operational deposits	68,683,498	25,396,642	17,170,875	6,349,160
7	Non-operational deposits	38,922,717	18,029,747	21,869,058	9,600,458
8	Unsecured debt	16,521,391	6,986,167	16,437,832	6,903,743
9	Secured wholesale funding				
10	Additional requirements of which:	24,797,355	6,981,736	24,797,354	6,981,737
11	Outflows related to derivative exposures and other collateral requirements	24,797,355	6,981,736	24,797,354	6,981,737
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	30,763,164	27,018,404	1,538,158	1,350,920
15	Other contingent funding obligations	89,191,673	20,804,341	8,126,222	1,818,626
16	TOTAL CASH OUTFLOWS			100,987,916	38,903,902
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	22,752,427	10,360,857	17,142,161	9,388,395
19	Other cash inflows	24,217,918	24,025,747	24,217,918	24,025,747
20	TOTAL CASH INFLOWS	46,970,345	34,386,604	41,360,079	33,414,142
				Upper Limit Applied Values	
21	TOTAL HQLA			74,484,192	46,762,348
22	TOTAL NET CASH OUTFLOWS			59,627,837	9,725,976
23	LIQUIDITY COVERAGE RATIO (%)			125.24	482.39

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

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

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

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

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	November 2019	127.69	October 2019	479.15
The highest value	October 2019	133.38	December 2019	516.03

Liquidity Coverage Ratio

Prior Period- December 31, 2019		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			70,761,044	42,276,476
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:				
		120,133,133	55,056,240	10,368,304	5,505,624
3	Stable deposits	32,900,169	-	1,645,008	-
4	Less stable deposits	87,232,964	55,056,240	8,723,296	5,505,624
5	Unsecured wholesale funding, of which:	111,643,307	41,770,686	51,055,424	19,294,434
6	Operational deposits	62,001,636	20,843,126	15,500,409	5,210,781
7	Non-operational deposits	35,381,148	15,468,907	21,381,252	8,706,534
8	Unsecured debt	14,260,523	5,458,653	14,173,763	5,377,119
9	Secured wholesale funding			-	-
10	Additional requirements of which:	27,337,778	5,872,004	27,337,777	5,872,005
11	Outflows related to derivative exposures and other collateral requirements	27,337,778	5,872,004	27,337,777	5,872,005
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	29,597,948	27,734,170	1,479,897	1,386,709
15	Other contingent funding obligations	85,350,244	19,573,523	7,969,226	1,797,957
16	TOTAL CASH OUTFLOWS			98,210,628	33,856,729
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	23,373,741	9,993,255	16,974,158	8,338,194
19	Other cash inflows	26,660,187	26,498,613	26,660,187	26,498,613
20	TOTAL CASH INFLOWS	50,033,928	36,491,868	43,634,345	34,836,807
				Upper Limit Applied Values	
21	TOTAL HQLA			70,761,044	42,276,476
22	TOTAL NET CASH OUTFLOWS			54,576,283	8,464,182
23	LIQUIDITY COVERAGE RATIO (%)			129.87	502.33

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

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

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

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, 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 – March 31, 2020	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	22,689,371	-	-	-	-	-	-	22,689,371
Banks	2,479,287	2,481,418	748,517	-	-	-	-	5,709,222
Financial assets at fair value through profit/loss	4,405	2,069	196	4,662,487	1,584,514	-	275,801	6,529,472
Interbank money market placements	-	14,416	-	-	-	-	-	14,416
Financial assets at fair value through other comprehensive	-	206,745	237,685	3,119,839	22,996,917	11,910,910	18,473	38,490,569
Loans	-	21,346,661	6,873,652	53,031,556	148,622,855	89,258,669	17,881,651	337,015,044
Financial assets measured at amortized cost	-	131,844	1,189,508	3,849,523	27,329,266	13,747,294	-	46,247,435
Other assets (**)	417,828	2,720,404	294,238	583,619	3,875,356	2,474,107	10,944,860	21,310,412
Total assets	25,590,891	26,903,557	9,343,796	65,247,024	204,408,908	117,390,980	29,120,785	478,005,941
Liabilities:								
Bank deposits	701,779	7,679,043	3,082,149	188,908	-	-	-	11,651,879
Other deposits	58,088,265	152,219,964	33,091,875	15,003,343	1,306,177	60,763	-	259,770,387
Funds borrowed	-	1,428,502	10,097,216	12,216,863	13,564,414	9,284,876	-	46,591,871
Interbank money market takings	-	37,951,246	3,433,514	964,135	2,226,587	364,870	-	44,940,352
Securities issued (***)	-	940,022	2,917,700	3,815,071	37,039,357	9,363,365	-	54,075,515
Miscellaneous payables	-	5,280,767	-	-	-	-	2,487,161	7,767,928
Other liabilities	111,019	839,103	1,217,490	44,246	87,271	2,631,864	48,277,016	53,208,009
Total liabilities	58,901,063	206,338,647	53,839,944	32,232,566	54,223,806	21,705,738	50,764,177	478,005,941
Liquidity gap	(33,310,172)	(179,435,090)	(44,496,148)	33,014,458	150,185,102	95,685,242	(21,643,392)	-
Net Off Balance Sheet Position	-	141,240	179,951	(127,543)	2,471,437	1,592,802	-	4,257,887
Receivables from Derivative Financial Instruments	-	23,699,558	5,703,995	10,034,786	25,529,921	35,816,346	-	100,784,606
Payables from Derivative Financial Instruments	-	23,558,318	5,524,044	10,162,329	23,058,484	34,223,544	-	96,526,719
Non-cash Loans	42,765,301	2,791,766	5,595,088	18,129,465	11,441,939	2,026,555	273,632	83,023,746
Prior Period – December 31, 2019								
Total assets	38,853,147	30,919,666	12,234,824	51,282,369	171,017,596	103,182,355	25,551,172	433,041,129
Total liabilities	51,461,245	178,196,721	51,706,390	36,620,832	42,802,188	23,735,323	48,518,430	433,041,129
Liquidity gap	(12,608,098)	(147,277,055)	(39,471,566)	14,661,537	128,215,408	79,447,032	(22,967,258)	-
Net Off Balance Sheet Position	-	27,305	(191,471)	151,653	2,228,450	1,454,064	-	3,670,001
Receivables from Derivative Financial Instruments	-	16,853,653	7,934,791	6,988,990	24,983,777	33,008,190	-	89,769,401
Payables from Derivative Financial Instruments	-	16,826,348	8,126,262	6,837,337	22,755,327	31,554,126	-	86,099,400
Non-cash Loans	41,170,276	2,903,572	6,295,723	15,338,280	10,264,800	1,960,156	347,510	78,280,317

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationary, 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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INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 7.63%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2019:7.91%). 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- March 31, 2020	Prior Period- December 31, 2019
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	433,241,076	393,975,792
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⁾	199,947	67,110
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⁾	(5,621,334)	(6,824,151)
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⁾	23,962,005	25,973,911
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⁾	55,359,211	50,501,837
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⁾	(180,157,520)	(174,715,489)
Total risk amount	530,082,012	502,688,588

⁽¹⁾ The balances at the end of December 31, 2019 and June 30, 2019 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 - March 31, 2020 ^(*)	Prior Period- December 31, 2019 ^(*)
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	457,013,665	422,674,445
2. Assets deducted in determining Basel III Tier 1 capital	(424,592)	(471,945)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	456,589,073	422,202,500
Derivative exposures		
4. Replacement cost	5,819,362	4,111,062
5. Add-on amount	1,817,466	1,510,272
6. Total derivative exposures	7,636,828	5,621,334
Securities financing transaction exposures		
7. Gross SFT assets (with no recognition of accounting netting)	2,355,374	3,092,305
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	2,355,374	3,092,305
Other off-balance sheet exposures		
10. Off-balance sheet exposures with gross nominal amount	169,974,183	154,462,559
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(59,662,590)	(55,296,687)
12. Total off-balance sheet exposures	110,311,593	99,165,872
Capital and total exposures		
13. Tier 1 capital	43,963,042	41,900,813
14. Total exposures	576,892,868	530,082,011
Leverage ratio		
15. Leverage ratio	7.63	7.91

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

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

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

VII. CONSOLIDATED SEGMENT REPORTING

The Group operates in corporate, commercial, small business, retail, treasury 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.

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	2,178,264	5,083,236	3,177,594	15,652	10,454,746
Interest Expense	1,411,611	1,555,978	2,382,464	23,555	5,373,608
Net Interest Income/Losses(Net)	766,653	3,527,258	795,130	(7,903)	5,081,138
Net Fees and Commissions Income	195,855	497,137	107,403	-	800,395
Dividend Income	-	-	389	-	389
Trading Income/ Losses (Net)	-	-	(579,835)	-	(579,835)
Other Income	-	-	-	3,403,903	3,403,903
Allowance for Expected Credit Losses and Other Provision Expenses	482,212	2,447,137	274,798	20,218	3,224,365
Other Expenses	-	-	-	3,231,083	3,231,083
Based on Equity Method	-	-	13,386	-	13,386
Profit Before Taxes	480,296	1,577,258	61,675	144,699	2,263,928
Provision for taxes	-	-	-	(460,492)	(460,492)
Net Profit/ Loss	480,296	1,577,258	61,675	(315,793)	1,803,436
Segment Assets	72,681,071	197,017,172	184,437,802	22,342,952	476,478,997
Subsidiaries and Associates (Net)	-	-	1,526,944	-	1,526,944
TOTAL ASSETS	72,681,071	197,017,172	185,964,746	22,342,952	478,005,941
Segment Liabilities	119,948,953	143,016,897	159,403,776	21,151,107	443,520,733
Equity	-	-	-	34,485,208	34,485,208
TOTAL LIABILITIES	119,948,953	143,016,897	159,403,776	55,636,315	478,005,941
Prior Period					
OPERATING INCOME/ EXPENSES					
Interest Income	2,015,240	5,221,231	2,681,870	22,636	9,940,977
Interest Expense	2,522,832	1,902,708	2,966,230	20,986	7,412,756
Net Interest Income/Losses(Net)	(507,592)	3,318,523	(284,360)	1,650	2,528,221
Net Fees and Commissions Income	219,408	642,308	111,402	-	973,118
Dividend Income	-	-	1,337	-	1,337
Trading Income/ Losses (Net)	-	-	170,929	-	170,929
Other Income	-	-	-	1,925,221	1,925,221
Allowance for Expected Credit Losses and Other Provision Expenses	467,722	1,977,247	125,692	10,818	2,581,479
Other Expenses	-	-	-	2,071,871	2,071,871
Based on Equity Method	-	-	14,304	-	14,304
Profit Before Taxes	(755,906)	1,983,584	(112,080)	(155,818)	959,780
Provision for taxes	-	-	-	(163,665)	(163,665)
Net Profit/ Loss	(755,906)	1,983,584	(112,080)	(319,483)	796,115
Segment Assets	68,112,914	174,348,959	168,620,369	20,477,634	431,559,876
Subsidiaries and Associates (Net)	-	-	1,481,253	-	1,481,253
TOTAL ASSETS	68,112,914	174,348,959	170,101,622	20,477,634	433,041,129
Segment Liabilities	112,872,965	133,752,512	130,739,892	22,123,470	399,488,839
Equity	-	-	-	33,552,290	33,552,290
TOTAL LIABILITIES	112,872,965	133,752,512	130,739,892	55,675,760	433,041,129

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

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INFORMATION RELATED TO CONSOLIDATED 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.

In the face of sudden and unexpected changes that may arise regarding macroeconomic indicators and Bank-specific situations; Bank, reveals the risks that may be exposed such as income / expense effect, capital loss, economic value change, liquidity adequacy through various reports and stress tests conducted daily, weekly and monthly. The stress conditions that emerged with the Covid-19 outbreak were included in the evaluations in this period, and the possible effects on the Bank's equity and capital adequacy ratios and liquidity adequacy level are closely monitored.

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period- March 31, 2020	Prior Period - December 31, 2019	Current Period- March 31, 2020
1 Credit Risk (excluding counterparty credit risk) ^(*)	317,287,455	287,730,822	25,382,996
2 Standardised approach	317,287,455	287,730,822	25,382,996
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	7,619,893	5,843,023	609,591
5 Standardised approach for counterparty credit risk	7,619,893	5,843,023	609,591
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds - look-through approach	-	-	-
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	4,690,904	7,395,606	375,272
17 Standardised approach	4,690,904	7,395,606	375,272
18 Internal model approaches	-	-	-
19 Operational Risk	25,510,114	21,759,874	2,040,810
20 Basic Indicator Approach	25,510,114	21,759,874	2,040,810
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)	355,108,366	322,729,325	28,408,669

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

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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 - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Cash	1,659,195	1,115,942	1,450,320	1,013,138
Central Bank of the Republic of Turkey ^(*)	1,049,221	18,075,582	529,120	32,733,306
Other	323,124	466,307	408,434	370,274
Total	3,031,540	19,657,831	2,387,874	34,116,718

^(*) TL 3,371,750 (December 31, 2019: TL 11,454,725) 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.

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 2%. (December 31, 2019: ranging from 1% to 7%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 0% to 16% in US Dollar or Euro (December 31, 2019: ranging from 5% to 21%). According to the principles of communiqué No. 2019/19 dated 9 December 2019, the CBRT pays interest to banks that provide credit growth for Turkish Lira required reserves

Balances with the Central Bank of the Republic of Turkey

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Unrestricted demand deposits	804,413	14,703,832	324,724	21,278,581
Restricted demand deposits	227,552	-	189,108	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve Deposits	17,256	3,371,750	15,288	11,454,725
Total	1,049,221	18,075,582	529,120	32,733,306

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

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

None.

Financial assets at fair value through profit/loss subject to repurchase agreements

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Positive differences on derivative financial assets held for trading purpose

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Forward transactions	114,940	2,159	64,165	1,418
Swap transactions	5,378,845	1,548,173	3,524,230	914,521
Futures	-	-	-	-
Options	38	1,297	205	2,689
Other	-	-	-	-
Total	5,493,823	1,551,629	3,588,600	918,628

The Parent Bank, company has entered into extinguishing cross-currency interest rate swaps. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. At March 31, 2020, the fair value of such swaps is 143,824 TL with a total outstanding notional amount of 120 million USD. The average maturity of such swaps is 4.6 years. (As of December 31, 2019, the fair value of such swaps is 45,566 TL with a total outstanding notional amount of 100 million USD. The average maturity of such swaps is 4.5 years.)

3. Information on banks

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Banks				
Domestic	1,791	660,216	6,119	427,951
Foreign	1	5,047,214	1	5,784,427
Foreign Head Offices and Branches	-	-	-	-
Total	1,792	5,707,430	6,120	6,212,378

4. Information on financial assets at fair value through other comprehensive income

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

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	860,098	2,881,000	397,624	2,528,365
Other	-	-	-	-
Total	860,098	2,881,000	397,624	2,528,365

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

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Government bonds	14,469,517	-	2,894,007	-
Treasury bills	-	-	-	-
Other debt securities	-	1,560,292	-	1,549,492
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	14,469,517	1,560,292	2,894,007	1,549,492

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

Information on financial assets at fair value through other comprehensive income

	Current Period- March 31, 2020	Prior Period- December 31, 2019
Debt securities	39,115,130	25,790,926
Quoted on a Stock Exchange	39,115,130	25,790,926
Unquoted	-	0
Equity securities	18,474	18,055
Quoted on a Stock Exchange	-	0
Unquoted	18,474	18,055
Provisions for impairment losses (-)	643,035	8,682
Total	38,490,569	25,800,299

5. Information on loans

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

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	-	-	-
Legal entities	-	-	-	-
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	373,207	38	323,645	36
Total	373,207	38	323,645	36

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

Current Period - March 31, 2020

Cash Loans	Loans and other receivables under close monitoring			
	Standard loans	Loans not Subject to Restructuring	Agreement conditions modified	
			Revised Contract Terms	Refinance
Non-specialized loans	284,030,065	15,136,886	1,070,227	13,651,407
Loans given to enterprises	95,056,247	8,644,097	218,146	12,779,511
Export loans	12,179,602	319,105	165,238	-
Import loans	-	-	-	-
Loans given to financial sector	2,986,308	-	-	-
Consumer loans	60,807,318	347,832	82,032	790,781
Credit cards	10,509,649	100,466	92,783	-
Other	102,490,941	5,725,386	512,028	81,115
Specialized lending	-	-	-	-
Other receivables	2,394,802	2,850,006	-	-
Total	286,424,867	17,986,892	1,070,227	13,651,407

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

All creditors, including the 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 LYY Telekomünikasyon AŞ as December 21, 2018. The Bank participated in LYY Telekomünikasyon AŞ with a 4.2559% share. At the Ordinary General Assembly Meeting of LYY dated September 23, 2019, it was decided that a portion of the loan would be converted to capital and added to the capital of LYY. In this context, the nominal value of the Bank's shares in LYY increased from TL 2 to TL 169,483. This amount is presented under “Financial assets at fair value through profit or loss” in the financial statements. As of March 31 2020, the amount is TL 899,939 (December 31, 2019: TL 802,278) and the provision is TL 133,253 (December 31, 2019: TL 65,100).

Prior Period - December 31, 2019

Cash Loans	Standard loans	Loans and other receivables under close monitoring		
		Agreement conditions modified		
		Loans not Subject to Restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized loans	245,127,249	16,790,004	1,152,718	13,756,875
Loans given to enterprises	78,199,656	9,105,909	263,784	11,890,861
Export loans	9,567,565	597,917	106,759	4,283
Import loans	-	-	-	-
Loans given to financial sector	3,813,721	-	-	-
Consumer loans	55,354,636	827,683	22,482	798,449
Credit cards	10,512,442	226,655	85,665	-
Other	87,679,229	6,031,840	674,028	1,063,282
Specialized lending	-	-	-	-
Other receivables	2,175,962	3,214,277	-	-
Total	247,303,211	20,004,281	1,152,718	13,756,875

Current Period - March 31, 2020

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,912,910	-
Significant Increase in Credit Risk	-	2,316,506

Prior Period - December 31, 2019

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,624,365	-
Significant Increase in Credit Risk	-	1,964,228

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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 - March 31, 2020	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	970,068	56,881,816	57,851,884
Housing loans	6,530	25,198,796	25,205,326
Automobile loans	6,880	372,467	379,347
General purpose loans	956,658	31,310,553	32,267,211
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	136	4,412	4,548
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	72	2,049	2,121
Other	64	2,363	2,427
Retail credit cards – TL	8,107,056	85,051	8,192,107
With instalment	3,467,694	79,419	3,547,113
Without instalment	4,639,362	5,632	4,644,994
Retail credit cards – FC	11,366	-	11,366
With instalment	-	-	-
Without instalment	11,366	-	11,366
Personnel loans – TL	16,283	259,211	275,494
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	16,283	259,211	275,494
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	97,329	243	97,572
With instalment	36,817	186	37,003
Without instalment	60,512	57	60,569
Personnel credit cards – FC	141	-	141
With instalment	-	-	-
Without instalment	141	-	141
Overdraft Checking Accounts – TL (Real person)	3,895,688	-	3,895,688
Overdraft Checking Accounts – FC (Real person)	349	-	349
Total	13,098,416	57,230,733	70,329,149

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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, 2019	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	988,803	52,052,993	53,041,796
Housing loans	10,656	23,605,477	23,616,133
Automobile loans	9,031	406,726	415,757
General purpose loans	969,116	28,040,790	29,009,906
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	4,177	4,177
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,108	2,108
Other	-	2,069	2,069
Retail credit cards – TL	8,274,740	83,237	8,357,977
With instalment	3,547,519	78,731	3,626,250
Without instalment	4,727,221	4,506	4,731,727
Retail credit cards – FC	20,464	-	20,464
With instalment	-	-	-
Without instalment	20,464	-	20,464
Personnel loans – TL	15,222	204,352	219,574
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	15,222	204,352	219,574
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	103,355	245	103,600
With instalment	37,687	195	37,882
Without instalment	65,668	50	65,718
Personnel credit cards – FC	471	-	471
With instalment	-	-	-
Without instalment	471	-	471
Overdraft Checking Accounts – TL (Real person)	3,737,396	-	3,737,396
Overdraft Checking Accounts – FC (Real person)	307	-	307
Total	13,140,758	52,345,004	65,485,762

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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 - March 31, 2020	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,460,561	73,560,647	76,021,208
Real estate loans	2,424	998,201	1,000,625
Automobile loans	57,663	1,885,086	1,942,749
General purpose loans	2,400,474	70,677,360	73,077,834
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	552,879	552,879
Real estate loans	-	-	-
Automobile loans	-	43,968	43,968
General purpose loans	-	508,911	508,911
Other	-	-	-
Instalment-based commercial loans – FC	195,042	19,986,819	20,181,861
Real estate loans	-	-	-
Automobile loans	-	12,955	12,955
General purpose loans	61,661	16,932,846	16,994,507
Other	133,381	3,041,018	3,174,399
Corporate credit cards – TL	2,375,312	24,640	2,399,952
With instalment	769,062	21,966	791,028
Without instalment	1,606,250	2,674	1,608,924
Corporate credit cards – FC	1,760	-	1,760
With instalment	-	-	-
Without instalment	1,760	-	1,760
Overdraft Checking Accounts – TL (Corporate)	1,355,956	-	1,355,956
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	6,388,631	94,124,985	100,513,616

Prior Period - December 31, 2019	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,035,959	62,592,816	64,628,775
Real estate loans	2,369	959,353	961,722
Automobile loans	58,230	1,635,806	1,694,036
General purpose loans	1,975,360	59,997,657	61,973,017
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	875,810	875,810
Real estate loans	-	-	-
Automobile loans	-	50,396	50,396
General purpose loans	-	825,414	825,414
Other	-	-	-
Instalment-based commercial loans – FC	454,346	17,712,633	18,166,979
Real estate loans	-	-	-
Automobile loans	-	13,585	13,585
General purpose loans	349,039	14,836,693	15,185,732
Other	105,307	2,862,355	2,967,662
Corporate credit cards – TL	2,326,315	13,189	2,339,504
With instalment	684,418	11,672	696,090
Without instalment	1,641,897	1,517	1,643,414
Corporate credit cards – FC	2,746	-	2,746
With instalment	-	-	-
Without instalment	2,746	-	2,746
Overdraft Checking Accounts – TL (Corporate)	1,335,373	-	1,335,373
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	6,154,739	81,194,448	87,349,187

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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 - March 31, 2020	Prior Period - December 31, 2019
Domestic loans	315,748,775	278,063,831
Foreign loans	3,384,618	4,153,254
Total	319,133,393	282,217,085

^(*) Non-performing loans are not included.

Loans to associates and subsidiaries

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Direct loans to associates and subsidiaries	12,790	117
Indirect loans to associates and subsidiaries	-	-
Total	12,790	117

Specific provisions accounted for loans (Stage 3)

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Loans and receivables with limited collectability	1,443,390	1,601,851
Loans and receivables with doubtful collectability	2,538,939	1,849,517
Uncollectible loans and receivables	8,580,700	9,027,419
Total	12,563,029	12,478,787

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 - March 31, 2020			
Gross Amounts Before The Reserves	141,579	1,070,651	558,075
Loans Which Are Restructured	141,579	1,070,651	558,075
Prior period - December 31, 2019			
Gross Amounts Before The Reserves	667,501	466,418	598,108
Loans Which Are Restructured	667,501	466,418	598,108

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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
	Collectability	Collectability	Loans
Current Period - March 31, 2020			
Balance at the beginning of the period	3,203,134	3,492,946	11,016,436
Additions (+)	1,176,987	264,728	406,246
Transfers from other categories of loans under follow-up (+)	-	1,464,661	507,768
Transfers to other categories of loans under follow-up (-)	1,464,661	507,768	-
Collections (-) ^(*)	126,198	174,827	500,535
Write-offs (-) ^(**)	-	-	888,478
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	73	11,139
Balance at the end of the period	2,789,262	4,539,813	10,552,576
Provision (-)	1,443,390	2,538,939	8,580,700
Net balance	1,345,872	2,000,874	1,971,876

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

^(**) As of March 31 2020, the Bank has written-off loans and provisions for these loans, which were classified in the "Group V Loans" (Loans Classified as Loss), unsecured, do not have reasonable expectations for recovery and with 100% provision, in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA. Following the written-off loans, the Bank's non-performing loan ratio decreased from 5.56% to 5.30%.

	Group III	Group IV	Group V
	Loans With	Loans With	Uncollectible
	Limited	Doubtful	Loans
	Collectability	Collectability	Loans
Prior Period - December 31, 2019			
Balance at the beginning of the period	1,626,189	2,131,185	7,371,934
Additions (+)	8,155,473	245,810	815,486
Transfers from other categories of loans under follow-up (+)	-	7,118,350	4,061,537
Transfers to other categories of loans under follow-up (-) ^(*)	6,053,818	5,128,912	55,305
Collections (-)	524,710	873,663	1,190,606
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	176	13,390
Balance at the end of the period	3,203,134	3,492,946	11,016,436
Provision (-)	1,601,851	1,849,517	9,027,419
Net balance	1,601,283	1,643,429	1,989,017

^(*) 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 - March 31, 2020			
Balance at the end of the period	1,459,492	1,852,981	1,514,135
Provision (-)	772,960	1,049,213	1,213,211
Net balance on balance sheet	686,532	803,768	300,924
Prior Period –December 31,2019			
Balance at the end of the period	1,380,333	1,446,485	1,438,214
Specific provision (-)	697,528	736,988	1,147,063
Net balance on balance sheet	682,805	709,497	291,151

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 - March 31, 2020			
Current Period (Net)	1,345,872	2,000,874	1,971,876
Consumer and Commercial Loans (Gross)	2,789,252	4,537,991	10,530,542
Specific Provision (-)	1,443,382	2,537,131	8,558,679
Consumer and Commercial Loans (Net)	1,345,870	2,000,860	1,971,863
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	10	1,822	22,034
Specific Provision (-)	8	1,808	22,021
Other Loans and Receivables (Net)	2	14	13

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period - December 31, 2019			
Prior Period (Net)	1,601,283	1,643,429	1,989,017
Consumer and Commercial Loans (Gross)	3,201,330	3,492,881	10,983,288
Specific Provision (-)	1,600,054	1,849,462	8,994,285
Consumer and Commercial Loans (Net)	1,601,276	1,643,419	1,989,003
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	1,804	65	31,597
Specific Provision (-)	1,797	55	31,583
Other Loans and Receivables (Net)	7	10	14

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

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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 Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net) - March 31, 2020			
Interest accruals and valuation differences	177,652	454,021	888,686
Provision (-)	93,913	253,420	602,484
Prior Period (Net) - December 31, 2019			
Interest accruals and valuation differences	269,253	304,122	747,230
Provision (-)	134,980	163,251	502,001

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Government bonds	33,024,625	9,063,501	34,945,546	7,498,362
Treasury bills	-	-	-	-
Other securities issued by the governments	-	3,757,825	-	4,202,218
Total	33,024,625	12,821,326	34,945,546	11,700,580

Information on financial assets measured at amortized cost

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Debt Securities	46,247,435	47,014,633
Quoted at stock exchanges	46,115,591	46,895,460
Unquoted at stock exchanges	131,844	119,173
Impairment losses (-)	-	-
Total	46,247,435	47,014,633

The movement table of the financial assets measured at amortised cost

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Balances at the beginning of the period	47,014,633	39,980,510
Foreign currency differences on monetary assets	1,110,507	950,424
Purchases during the period	161,933	6,514,751
Disposals through sales/redemptions	(2,120,948)	(1,664,238)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	81,310	1,233,186
Balances at the end of the period	46,247,435	47,014,633

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on accounts related to financial assets measured at amortized cost

Current Period - March 31, 2020	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	2,981,994	6,243,973	3,806,222	6,465,381
Investments subject to repurchase agreements	19,672,415	3,713,761	25,391,921	3,757,825
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	3,144,956	2,885,526	3,885,346	2,940,740
Total	25,799,365	12,843,260	33,083,489	13,163,946

(*) 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, 2019	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	2,312,391	5,749,919	3,012,289	5,900,181
Investments subject to repurchase agreements	13,015,467	4,131,685	17,082,806	4,202,218
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	12,407,756	1,873,915	14,909,319	1,907,820
Total	27,735,614	11,755,519	35,004,414	12,010,219

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/Country)	Parent Bank’s Share If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret 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 Türkiye Ürün İhtisas Borsası AŞ	Ankara/Turkey	3.00	3.00
9 Bileşim Alternatif Dağıtım Kanalları AŞ (*)	İstanbul/Turkey	33.33	33.33
10 JCR Avrasya Derecelendirme AŞ	İstanbul/Turkey	2.86	2.86
11 Tasfiye Halinde World Vakıf UBB Ltd. (*)	Lefkoşa/KKTC	82.00	82.59

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1 5,352,565	2,474,594	1,189,698	30,555	-	529,953	506,915	6,636,818
2 151,277	91,498	70,415	5,102	-	26,624	15,953	-
3 364,812	229,265	247,046	1,824	-	11,740	12,147	-
4 146,887	(93,164)	88,100	1	-	(17,998)	(30,795)	-
5 153,203	(134,908)	77,437	8	-	(39,741)	(66,071)	-
6 19,323,366	2,418,218	156,157	81,193	11,136	110,027	124,880	-
7 586,812	463,692	27,003	57,601	-	55,708	64,893	-
8 35,794	34,793	2,292	896	-	1,079	818	-
9 75,163	44,503	11,746	7,501	-	13,276	11,532	-
10 30,456	24,459	22,933	94	-	(559)	(544)	-
11 1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

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

(*)The financial statement information provided for these associates is taken from the financial statements dated September 30, 2019.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the current period Platform Ortak Kartlı Sistemler AŞ joined to Türkiye Varlık Fonu on February 12, 2020, as a new partner. Due to the transfer of the Parent Bank's nominal capital share from 7,000 TL to 1,400 TL to TVF, the nominal capital share has decreased to 5,600 TL. In addition, the Parent Bank sold 350 TL shares from its paid-in capital share of 1,750 TL, and the share amount of the Parent Bank decreased to 1,400 TL from the share of 33.33% to 26.67%.

In the prior period, the Parent Bank participated in Platform Ortak Kartlı Sistemler AŞ, which was established with a capital of TL 21,000. The nominal share of the Parent Bank in the Company is TL 7,000 and its share rate is 33.33%. 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 23 September 2019. The Parent Bank paid one quarter of its share and shares amounting to TL 1,750 are presented under Purchases in the movement table of investments in associates.

In the prior period, decision has been made to increase the capital of the Parent 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. In addition, the Bank's Board of Directors has decided to increase the capital to TL 513,134 as of 8 April 2019. The capital increase was realized with the participation of two new shareholders, the Parent Bank's share amount remained unchanged and the share ratio decreased from 1.54% to 1.49%.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Parent 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 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 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 Enternasyonal AŞ, Platform Ortak Kartlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası AŞ, Bileşim Alternatif Dağıtım Kanalları AŞ, Birleşik İpotek Finansmanı AŞ and JCR Avrasya Derecelendirme 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 in accordance with TFRS 9.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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/KKTC	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	1,461,699	96,798	7,732	29,292	847	4,118	188	-
2	47,660,924	5,158,661	1,105,763	596,082	192,811	152,411	170,408	2,614,414

Movement of consolidated investments in associates

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Balance at the beginning of the period	297,263	196,867
Movements during the period	(67,556)	100,396
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	-
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	-	100,396
Impairment losses	(67,556)	-
Balance at the end of the period	229,707	297,263
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Banks	229,707	297,263
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	229,707	297,263

Quoted associates

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Quoted at domestic stock exchanges	219,088	286,644
Quoted at international stock exchanges	-	-
Total	219,088	286,644

Investments in associates disposed during the period

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Investments in associates acquired during the period

In the current period, the Parent Bank has participated in establishment of the Birleşik İpotek Finansmanı AŞ., which was established with a capital of 10,000 TL. The nominal share of the bank is 833 TL and the share rate is 8.33%. Transactions regarding the establishment of the company were registered in the trade registry on March 17, 2020.

In the current period, the Parent Bank has become a partner to Bileşim Alternatif Dağıtım Kanalları AŞ, in 7 February 2020, by the agreement signed with the People's Bank of Turkey to transfer nominal shares of 8,666 TL and which corresponds to 33.33% share ratio. Parent Bank's share is TL 27,997.

In the current period, the Parent Bank became a partner of JCR Avrasya Derecelendirme AŞ. with a capital of 1,000 TL on January 17, 2020. The nominal share in the capital is 29 TL and the share rate is 2.86%. The Bank's share in the capital will be paid in two installments. 3/4 of the amount hitting the Parent Bank's share, 2,066 TL, has been paid in cash, and the remaining 1/4 must be paid within six months of the first installment closing date.

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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

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Current Period - March 31, 2020						
Paid in Capital	311,248	175,000	75,000	170,000	230,000	20,000
Share Premium	-	5,944	10,017	-	268,330	93
Equity share premiums	-	-	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-
Other capital reserves	-	5,944	10,017	-	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	26,979	(211)	2,388	522	(46)
Other accumulated comprehensive income that will be reclassified in profit or loss	715,354	-	119,930	-	-	-
Profit Reserves	17,882	47,712	12,316	69,570	130,281	395
Legal Reserves	17,882	9,738	8,601	11,730	9,056	395
Statutory reserves	-	-	-	-	-	-
Extraordinary Reserves	-	37,974	3,715	57,840	121,225	-
Other Profit Reserves	-	-	-	-	-	-
Profit/Loss	35,080	(25,167)	85,895	136,408	12,706	(2,440)
<i>Prior Period's Profit/Loss</i>	42,062	(25,685)	38,984	112,322	10,351	(1,731)
<i>Current Period's Profit/Loss</i>	(6,982)	518	46,911	24,086	2,355	(709)
Minority Rights	-	-	-	-	-	-
Total Core Capital	1,079,564	230,468	302,947	378,366	641,839	18,002
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-
CAPITAL	1,079,564	230,468	302,947	378,366	641,839	18,002
NET AVAILABLE EQUITY	1,079,564	230,468	302,947	378,366	641,839	18,002

Reviewed BRSA financial statements dated March 31, 2020 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)

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Prior Period - December 31, 2019						
Paid in Capital	311,248	175,000	75,000	170,000	230,000	20,000
Share Premium	-	5,343	10,017	-	268,330	93
Equity share premiums	-	-	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-
Other capital reserves	-	5,343	10,017	-	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	28,100	(211)	2,388	558	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	732,735	-	119,930	-	-	-
Profit Reserves	11,854	48,049	12,316	69,570	130,281	395
Legal Reserves	11,854	10,006	8,601	11,730	9,056	395
Statutory reserves	-	-	-	-	-	-
<i>Extraordinary Reserves</i>	-	38,043	3,715	57,840	121,225	-
<i>Other Profit Reserves</i>	-	-	-	-	-	-
Profit/Loss	48,090	(16,647)	38,984	110,248	10,351	(1,731)
Prior Period's Profit/Loss	342	(83,464)	2,136	(12,702)	14,255	(2,906)
Current Period's Profit/Loss	47,748	66,818	36,848	122,950	(3,904)	1,175
Minority Rights	-	-	-	-	-	-
Total Core Capital	1,103,927	239,845	256,036	352,206	639,520	18,704
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-
CAPITAL	1,103,927	239,845	256,036	352,206	639,520	18,704
NET AVAILABLE EQUITY	1,103,927	239,845	256,036	352,206	639,520	18,704

Audited BRSA financial statements dated December 31, 2019 are taken into consideration.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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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. According to the calculations at March 31, 2020, 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	80.48
2 Taksim Otelcilik AŞ	İstanbul/Turkey	51.00	51.00
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/Turkey	86.97	88.89
4 Vakıf Gayrimenkul Değerleme AŞ (*)	Ankara/Turkey	97.17	97.17

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	321,562	226,490	245,128	338	-	(2,312)	(1,164)	25,743
2	403,873	392,212	203,241	3,511	-	1,626	3,660	453,745
3	84,171	65,819	38,661	5,923	527	6,067	2,811	59,392
4	31,219	23,497	686	3,984	176	(2,637)	(59)	39,744

(*) The financial statement information provided for these subsidiaries is taken from the financial statements dated September 30, 2019.

In the current period, the paid-in capital of Vakıf Gayrimenkul Değerleme A.Ş., which was 14,000 TL, is increased by 16,000 TL to 30,000 TL. In the company's capital, the Parent Bank's nominal share increased from 13,600 TL to 29,143 TL.

In the current period, The Parent Bank has paid 678 TL for 400 TL nominal share of Vakıf Emeklilik ve Hayat AŞ, one of the partners of Vakıf Gayrimenkul Değerleme AŞ, on January 16, 2020. In the company's capital, the Parent Bank's nominal share increased from 13,200 TL to 13,600 TL, and its share increased from 94.29% to 97.14%

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.

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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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 Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	80.62
2 Vakıf Finansal Kiralama AŞ	İstanbul/ Turkey	58.71	58.71
3 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/ Turkey	99.25	99.40
4 Vakıfbank International AG	Viyana/Austria	100.00	100.00
5 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/ Turkey	17.37	17.37
6 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/ Turkey	38.70	38.70

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,507,949	399,990	2,642	88,876	-	26,914	33,189	279,386
2	3,301,108	307,279	25,341	62,123	-	23,958	(2,701)	286,836
3	712,640	281,653	7,824	-	934	46,911	6,032	293,992
4	6,016,867	1,141,280	1,554	34,806	-	11,429	10,911	583,781
5	18,469	18,004	248	420	196	(732)	194	32,560
6	1,794,524	1,066,562	1,049,540	645	-	2,937	2,115	447,379

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period March 31, 2020	Prior Period December 31, 2019
Balance at the beginning of the period	1,477,248	2,129,732
Movements during the period	(35,478)	(652,484)
Transfers ^(*)	-	(1,547,479)
Acquisitions	57,083	179,827
Bonus shares received	-	384,233
Share of current year profit	-	(42,881)
Sales and liquidations	-	(1,342)
Fair value changes	52,208	558,189
Impairment losses	(144,769)	(183,031)
Balance at the end of the period	1,441,770	1,477,248
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

^(*) In the prior period, Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are booked in Non-Current Assets Held for Sale and Discontinued Operations, and are shown in Transfers.

In the current period, one of the Vakıfbank International AG partners, all of the 10% shares of Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı was acquired by the Parent Bank for 57,083 TL per share, in March 24 2020. In the company's capital, the Bank's nominal share increased from 90,000 EUR to 100,000 EUR, and its share increased from 90% to 100%.

In the prior period, Vakıf Emeklilik ve Hayat AŞ, which is now classified in the parent Banks' Non-Current Assets or Disposal Groups "Held for Sale" and "From Discontinued Operations (Net)" account instead of Subsidiaries account, is also removed from the scope of consolidation. The 874,650 TL share corresponding to the share of the parent Bank is shown in Transfers in the Act of Affiliates table.

In the prior period, Güneş Sigorta AŞ, which is now classified in the parent Banks' Non-Current Assets or Disposal Groups "Held for Sale" and "From Discontinued Operations (Net)" account instead of Subsidiaries account, is also removed from the scope of consolidation. The 672,829 TL share corresponding to the share of the parent Bank is shown in Transfers in the Act of Affiliates table.

In the prior period, it was decided to sell 1,556,292 shares of Güneş Sigorta AŞ traded in the BİAŞ share market. The share of TL 1,122 that the bank sold was shown under Sales in Act of Affiliates table. After the transaction, the nominal share of the Bank in Güneş Sigorta AŞ has decreased from 304,495,989 TL to 302,939,697 TL and share ratio has decreased from 56.39% to 56.10%.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the prior period, the paid-in capital of Güneş Sigorta AŞ, which was TL 270,000 within the registered capital ceiling of TL 540,000, was increased to TL 540,000 with an increase of TL 270,000. In this context, the Parent Bank's pre-emptive right was fully exercised in the Company's capital increase and the Parent Bank's current nominal share reached TL 129,643. In addition, TL 50,183 has been paid for pre-emptive rights (shares offered to public in the BIAS stock market) which are not exercised by other shareholders against nominal 45,210,297 shares purchased from the prices formed in the BIST Primary Market. Total shares amounting to TL 179,826 are presented under Purchases in the movement table of subsidiaries.

In the prior period, it's been decided to sell 220,000 shares of Vakıf Menkul Değerler A.Ş has been. After the sale, The Parent Bank's share decreased from TL 4,578 to TL 3,693. TL 220 of The Parent Bank's sales is presented under Sales in the movement table of subsidiaries. After the sale of shares, The Parent Bank's share in Vakıf Menkul Değerler Yatırım Ortaklığı A.Ş. decreased from 18.47% to 17.37%.

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%.

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.

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.

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.

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.

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.

In the prior period, all of the shares of Vakıf Portföy Yönetimi AŞ, which was presented in the "Assets Held for Sale and Discontinued Operations and Related Liabilities" account, were sold to Ziraat Portföy Yönetim AŞ for a price of TL 52,500. As of January 2, 2019, the Bank has no remaining shares in Vakıf Portföy Yönetimi AŞ .

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Measured at cost	-	-
Measured at fair value (*)	1,441,770	1,477,248
Equity method of accounting	-	-
Total	1,441,770	1,477,248

(*) For the subsidiaries that are not listed on the stock exchange, valuation amounts dated December 31, 2019 have been taken into account.

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Banks	583,781	486,740
Insurance companies	-	-
Factoring companies	219,011	219,011
Leasing companies	168,401	249,776
Financing companies	-	-
Other financial subsidiaries	470,577	521,721
Total	1,441,770	1,477,248

Quoted consolidated subsidiaries

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Quoted at domestic stock exchanges	347,192	479,711
Quoted at international stock exchanges	-	-
Total	347,192	479,711

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.

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

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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 – March 31, 2020		Prior Period – December 31, 2019	
	Gross	Net	Gross	Net
Less than 1 year	804,249	726,110	777,828	706,300
Between 1-4 years	2,191,415	1,896,672	2,070,301	1,766,622
Longer than 4 years	429,818	324,206	399,625	301,194
Total	3,425,482	2,946,988	3,247,754	2,774,116

Net investments in finance lease receivables

	Current Period – March 31, 2020	Prior Period – December 31, 2019
Gross finance lease receivables	3,425,482	3,247,754
Unearned income on finance lease receivables (-)	478,494	473,638
Terminated lease contracts (-)	-	-
Net finance lease receivables	2,946,988	2,774,116

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 March 31, 2020, net balance sheet value of the Group's subsidiary operating in real estate investment trust amounts to TL 624,328 (December 31, 2019: TL 608,990), and the Group has investment properties with a fair value of TL 1,034,346 (December 31, 2019: 1,018,635)).

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Information on tax assets

a) Current tax assets

As at March 31, 2020 the current tax asset of the Group amounts to TL 46 (December 31, 2019: TL None).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at March 31, 2020 and December 31, 2019:

	Current Period March 31, 2020	Prior Period - December 31, 2019
Provision for employee termination benefits and unused vacations	139,365	143,171
Other provisions	14,371	14,034
Valuation differences of associates and subsidiaries	96,710	46,014
Deductible financial losses	-	-
Investment incentives	3,918	4,345
Valuation differences of financial assets and liabilities	362,126	431,120
Reporting Standards - Tax Code depreciation differences	-	49
Provision (General Provision)	861,230	728,369
Other differences	20,589	34,994
Deferred tax assets	1,498,309	1,402,096
Net-off of the deferred tax assets and liabilities from the same entity	(846,806)	(600,480)
Deferred tax assets, (net)	651,503	801,616
Valuation differences of financial assets and liabilities	628,814	460,570
Valuation difference for associates and subsidiaries	113,039	62,343
Valuation differences of properties	74,679	74,679
Other differences	34,103	34,878
Deferred tax liabilities	850,635	632,470
Net-off of the deferred tax assets and liabilities from the same entity	(846,806)	(600,480)
Deferred tax liabilities, (net)	3,829	31,990

As at March 31, 2020 and December 31, 2019, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period - March 31, 2020	Prior Period - December 31, 2019
As of 1 January	769,626	157,247
Deferred tax income/(loss)	(311,720)	882,613
Deferred tax that is accounted under Equity	174,142	(95,884)
Other	15,626	(174,350)
Deferred tax asset/(liability)	647,674	769,626

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of March 31, 2020, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 2,204,071 (December 31, 2019: TL 3,125,252), and the provision for impairment is TL 9,320 (December 31, 2019: TL 12,981).

In the prior period, as per the Board of Directors decision in December 13th, 2019, the Bank has started the process of transfer of 56.39% and 53.90% of shares held in subsidiaries Güneş Sigorta and Vakıf Emeklilik ve Hayat A.Ş. respectively, including publicly held shares, to a new company to be established by Türkiye Varlık Fonu Yönetimi A.Ş. Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ have been removed from the Subsidiaries account and started to be disclosed in the Assets Held for Sale and Discontinued Operations account.

As of March 31, 2020, the Parent Bank continues to disclose Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ in the Assets Held for Sale and Discontinued Operations account, which was transferred from Subsidiaries Account in the prior period. Related subsidiaries are subject to consolidation within the scope of consolidation through the accounts subject to sales transactions in the assets and liabilities section of the balance sheet, and in the income statement as in the full consolidation method. For these subsidiaries, on April 22, 2020, a share transfer agreement was signed with TVF Finansal Yatırımlar AŞ and these share transfers were completed as of the same date.

Information on the summary balance sheet items of Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are presented below as of March 31 2020 and December 31, 2019.

Current Period - March 31, 2020	Güneş Sigorta	Vakıf Emeklilik ve Hayat	Intra-Group Transactions	Consolidated
Banks	1,836,184	699,079	(1,395,728)	1,139,535
Financial assets at fair value through profit or loss	142,436	605,506	(168,962)	578,980
Subsidiaries	750,961	2,932	(738,116)	15,777
Tangible and Intangible Assets	240,793	115,908	-	356,701
Other Assets	2,605,823	526,545	(192,414)	2,939,954
Assets	5,576,197	1,949,970	(2,495,220)	5,030,947
Lease Payables	820	23,232	(16,847)	7,205
Provisions	3,618,182	929,564	-	4,547,746
Current Tax Liabilities	36,846	39,897	-	76,743
Deferred Tax Liabilities	-	6,930	-	6,930
Other Liabilities	514,984	393,598	(275,661)	632,921
Liabilities	4,170,832	1,393,221	(292,508)	5,271,545
Prior Period - December 31, 2019	Güneş Sigorta	Vakıf Emeklilik ve Hayat	Intra-Group Transactions	Consolidated
Banks	1,689,062	563,850	(1,283,613)	969,299
Financial assets at fair value through profit or loss	122,817	627,395	(143,381)	606,831
Subsidiaries	775,563	4,746	(763,880)	16,429
Tangible and Intangible Assets	241,520	120,641	-	362,161
Other Assets	2,473,587	478,021	(321,604)	2,630,004
Assets	5,302,549	1,794,653	(2,512,478)	4,584,724
Lease Payables	987	24,564	(17,664)	7,887
Provisions	3,408,771	867,669	-	4,276,440
Current Tax Liabilities	38,427	30,741	-	69,168
Deferred Tax Liabilities	3,204	14,653	-	17,857
Other Liabilities	558,737	136,106	(26,537)	668,306
Liabilities	4,010,126	1,073,733	(44,201)	5,039,658

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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 March 31, 2020 and December 31, 2019, the details of other assets are as follows:

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Receivables from credit card payments	1,741,279	1,695,301
Prepaid expenses	1,649,049	969,046
Guarantees given for repurchase agreements	685,659	9,922
Guarantees given for derivative financial instruments	10,684,375	7,996,486
Receivables from term sale of assets	79,013	112,364
Other	1,800,523	2,174,612
Total	16,639,898	12,957,731

16. Information on expected loss provisions for financial assets

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Balances with the Central Bank	215	374
Banks	5,976	8,992
Total	6,191	9,366
Financial Assets Measured at Amortized Cost	5,147	5,054
Total	11,338	14,420

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period March 31, 2020	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	10,585,308	-	10,498,930	36,227,337	2,169,632	244,988	1,988,513	9,462	61,724,170
Foreign currency deposits	17,592,614	-	17,232,461	55,098,039	4,796,702	2,103,086	9,722,998	-	106,545,900
Residents in Turkey	15,657,915	-	16,928,009	52,657,125	3,942,773	1,024,256	2,273,292	-	92,483,370
Residents in abroad	1,934,699	-	304,452	2,440,914	853,929	1,078,830	7,449,706	-	14,062,530
Public sector deposits	8,799,394	-	8,679,165	7,842,448	3,028,611	605,334	29,349	-	28,984,301
Commercial deposits	5,150,561	-	13,942,412	11,508,250	334,778	688,195	183,369	-	31,807,565
Other	7,833,740	-	2,269,781	7,721,427	3,192,747	271,144	700,435	-	21,989,274
Precious metal deposits	8,126,648	-	-	16,174	-	497,538	78,817	-	8,719,177
Bank deposits	701,779	-	5,364,637	5,189,751	57,820	155,606	182,286	-	11,651,879
Central Bank	1,352	-	-	-	-	-	-	-	1,352
Domestic banks	364,168	-	5,216,648	928,030	57,820	11,038	-	-	6,577,704
Foreign banks	292,597	-	147,989	4,261,721	-	144,568	182,286	-	5,029,161
Participation banks	43,662	-	-	-	-	-	-	-	43,662
Other	-	-	-	-	-	-	-	-	-
Total	58,790,044	-	57,987,386	123,603,426	13,580,290	4,565,891	12,885,767	9,462	271,422,266

Prior Period December 31, 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	8,578,245	-	8,388,452	37,058,056	2,528,253	276,512	1,890,243	8,620	58,728,381
Foreign currency deposits	16,360,802	-	15,556,129	51,474,306	5,465,027	2,008,675	9,327,716	-	100,192,655
Residents in Turkey	14,648,196	-	15,260,688	49,173,582	4,631,421	978,319	2,235,416	-	86,927,622
Residents in abroad	1,712,606	-	295,441	2,300,724	833,606	1,030,356	7,092,300	-	13,265,033
Public sector deposits	8,186,969	-	6,028,510	6,735,622	2,793,367	485,159	29,121	-	24,258,748
Commercial deposits	4,424,128	-	13,308,954	13,946,826	1,767,183	482,234	316,449	-	34,245,774
Other	7,545,083	-	1,391,353	7,096,658	3,183,311	379,849	690,573	-	20,286,827
Precious metal deposits	5,596,470	-	-	13,780	-	243,446	494,13	-	5,903,109
Bank deposits	651,040	-	4,541,612	4,525,538	455,074	174,319	167,671	-	10,515,254
Central Bank	661	-	-	-	-	-	-	-	661
Domestic banks	299,302	-	4,234,529	619,030	321,218	12,880	-	-	5,486,959
Foreign banks	104,192	-	307,083	3,906,508	133,856	161,439	167,671	-	4,780,749
Participation banks	246,885	-	-	-	-	-	-	-	246,885
Other	0	-	-	-	-	-	-	-	-
Total	51,342,737	-	49,215,010	120,850,786	16,192,215	4,050,194	12,471,186	8,620	254,130,748

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

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	35,643,788	26,080,382	33,649,429	25,078,952
Foreign currency saving deposits	17,849,814	36,393,855	16,583,167	33,677,608
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	53,493,602	62,474,237	50,232,596	58,756,560

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Saving deposits out of insurance coverage limits

	Current Period March 31, 2020	Prior Period December 31, 2019
Deposits and other accounts at foreign branches	80,385	62,900
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	8,738	10,395
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- March 31, 2020		Prior Period- December 31, 2019	
	TL	FC	TL	FC
Forwards	106,809	2,101	57,018	1,379
Swaps	2,037,893	2,186,559	2,168,868	1,081,874
Futures	-	-	-	-
Options	38	867	213	2,645
Other	-	-	-	-
Total	2,144,740	2,189,527	2,226,099	1,085,898

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	1,084,045	-	988,160
Domestic banks and institutions	1,293,596	4,059,467	1,490,651	5,266,568
Foreign banks, institutions and funds	782,088	39,372,675	796,115	36,522,190
Total	2,075,684	44,516,187	2,286,766	42,776,918

b) Maturity information of funds borrowed

	Current Period - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Short-term ^(*)	924,607	3,558,980	1,279,849	4,485,291
Medium and Long-term ^(*)	1,151,077	40,957,207	1,006,917	38,291,627
Total	2,075,684	44,516,187	2,286,766	42,776,918

^(*) 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 10.50% (December 31, 2019: 11.28%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Syndicated Loans Receive

Beginning From	Maturity (Days)	Currency	Amount (Millions)	Interest rate	Coordinator Bank	Agent Bank
24 April 2018	734	USD	100.0	Libor + 2.10%	Emirates NBD Bank (P.J.S.C) Mizuho Bank Ltd.	First Abu Dhabi Bank PJSC
25 April 2019	367	USD	279.5	Libor+2.50%	Mizuho Bank Ltd. Emirates NBD Capital Limited	Mizuho Bank Ltd.
	367	EUR	723.5	Euribor+2.40%	Mizuho Bank Ltd. Emirates NBD Capital Limited	Mizuho Bank Ltd.
29 November 2019	367	USD	239.5	Libor+2.25%	The Commercial Bank (P.S.Q.C.) Emirates NBD Bank PJSC	Emirates NBD Bank PJSC
	367	EUR	309.3	Euribor+2.10%	The Commercial Bank (P.S.Q.C.) Emirates NBD Bank PJSC	Emirates NBD Bank PJSC

Syndicated Loans Received

Beginning from	Due date	Currency	Amount (USDMillions)	Loan Type
May 13, 2011	June 15, 2023	USD	346.5	Based on international remittance flows
December 19, 2014	December 15, 2021	USD/EUR	428.6	Based on international remittance flows / Based on treasury financing transactions
October 4, 2016	September 15, 2021	USD/EUR	354.4	Based on international remittance flows
	June 15, 2023	USD/EUR	535.7	Based on international remittance flows / Based on treasury financing transactions
May 4, 2018	March 15, 2023	USD/EUR	380	Based on international remittance flows
October 5, 2018	September 15, 2028	USD	300	Based on international remittance flows / Based on treasury financing transactions
October 15, 2019	December 15, 2026	USD	417	Based on international remittance flows / Based on treasury financing transactions

As of March 31, 2020, the total securitization balance is equivalent of USD 1,389 million and EUR 221 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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%.

At January 30, 2018, the Parent 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% and a final return rate of 8.200% 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%.

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 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.

On 5 February 2020, a new bond issuance amounting to USD 750 million with 5-year maturity, 5.25 percent coupon rate and 5.375 percent final return rate was realized. In the transaction, the largest bond issue in the history of the bank, US \$ 4.3 billion has been collected worldwide.

Current Period - March 31, 2020	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	7,576,505	5,182,075	106,795	23,489,273
Cost	7,436,324	5,182,075	106,710	23,384,261
Net Book Value	7,564,325	5,341,918	106,851	23,739,646

Prior Period - December 31, 2019	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	6,552,704	5,182,186	-	17,233,590
Cost	6,380,114	5,182,186	-	17,160,519
Net Book Value	6,494,825	5,297,752	-	17,455,479

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Obligations under finance leases

	Current Period - March 31, 2020		Prior Period – March31, 2019	
	Gross	Net	Gross	Net
Under 1 year	34,187	32,022	20,392	19,639
1-4 Years	437,330	355,036	465,352	374,544
Over 4 years	1,024,397	613,949	947,841	541,755
Total	1,495,914	1,001,007	1,434,125	935,938

With the “IFRS 16 Leases” standard, effective as of January 1, 2019, the difference between operational lease and financial lease has been eliminated, and leasing transactions have started to be disclosed under the “liabilities from leasing transactions” line.

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

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

None.

7. Information on provision

Provision for currency exchange loss on foreign currency indexed loans

	Current Period - March 31, 2020	Prior Period - December 31, 2019
Provision for Foreign Exchange Indexed Loans	-	546

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

As of March 31, 2020 the Parent Bank has recorded TL 64,112 (December 31, 2019: TL 57,760) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

The amount of free provisions in the accompanying consolidated financial statements as at March 31, 2019 is TL 852,000. (December 31, 2019: TL 852,000).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Taxation

Current Taxes

As at and for the three-month period ended March 31, 2020, the tax liability of the Group is amounting to TL 101,004 (December 31, 2019: TL 586,727).

Information on taxes payable

	Current Period – March 31, 2020	Prior Period – December 31, 2019
Corporate taxes payable	101,004	586,727
Taxation on securities	236,225	257,672
Capital gains tax on property	3,606	3,515
Taxes on foreign exchange transactions	8,773	4,428
Banking and Insurance Transaction Tax (BITT)	137,269	202,056
Value added tax payable	10,963	13,276
Other	45,657	68,391
Total	543,497	1,136,065

Information on premiums payable

	Current Period March 31, 2020	Prior Period December 31, 2019
Social security premiums- employee share	447	518
Social security premiums- employer share	551	494
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	25	22
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,587	1,639
Unemployment insurance- employer share	3,155	3,253
Other	11	-
Total	5,776	5,926

Information on deferred tax liabilities

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

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

The amount of liabilities related to Non-Current Assets Held for Sale and Discontinued Operations is 5,630,363TL. (December 31, 2019: 5,372,200)

10. Information on subordinated loans

The Parent Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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%. The Bank used the early redemption option for this bond and received BRSA approval on 9 December 2019. An investor notification was made on 23 December 2019, and the bond was repaid on 3 February 2020 and the recall was completed.

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 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 February 13, 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.

On September 27, 2018, the Parent 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%.

On September 27, 2019, TLREF indexed subordinated bonds amounting to TL 725 million were issued to qualified investors in the domestic capital markets. The issued bond has a maturity of 10 years and has the option of early redemption at the end of the fifth year. Bonds with floating interest rates are priced at an additional 150 basis points above the Turkish Lira Overnight Reference Interest Rate (RE TLREF an) announced by the BIST every day. The debt instrument will make a variable coupon payment every 91 days from the beginning date to the amortization date (including the amortization date).

Total balance sheet value of the bonds is TL 17,322,775 as of March 31, 2020 (December 31, 2019: TL 19,245,453).

	Current Period- March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation	4,993,575	5,288,175	5,139,810	4,839,684
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	4,993,575	5,288,175	5,139,810	4,839,684
Debt instruments to be included in the additional capital calculation	1,254,628	5,786,397	1,255,067	8,010,892
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,254,628	5,786,397	1,255,067	8,010,892
Total	6,248,203	11,074,572	6,394,877	12,850,576

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders’ equity

Paid-in capital

	Current Period - March 31, 2020	Prior Period - December 31, 2019
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; three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

Paid-in capital amount, explanation as to whether the registered share capital system is applicable at 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.

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 - March 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	694,118	-	763,262	-
Financial assets at fair value through other comprehensive income	594,258	(398,555)	561,571	318,216
Total	1,288,376	(398,555)	1,324,833	318,216

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 March 31, 2020	Prior Period December 31, 2019
Commitments for credit card limits	19,263,739	17,293,741
Loan granting commitments	21,412,499	18,079,079
Commitments for cheque payments	4,530,152	3,528,150
Asset purchase sale commitments	4,309,073	7,968,985
Other	2,626,255	2,250,430
Total	52,141,718	49,120,385

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 729,626 (December 31, 2019: TL 689,503) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 64,112 (December 31, 2019: TL 57,760).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period March 31, 2020	Prior Period December 31, 2019
Final letters of guarantee	22,149,552	20,929,135
Letters of guarantee for advances	5,772,988	5,608,940
Letters of guarantee given to custom offices	1,374,326	1,322,033
Provisional letters of guarantee	1,381,015	1,366,139
Other letters of guarantee	32,606,051	29,777,819
Total	63,283,932	59,004,066

2. Non-cash loans

	Current Period March 31, 2020	Prior Period December 31, 2019
Non-cash loans given for cash loan risks	43,790,087	17,026,869
<i>With original maturity of 1 year or less</i>	<i>18,801,583</i>	<i>6,070,706</i>
<i>With original maturity of more than 1 year</i>	<i>24,988,504</i>	<i>10,956,163</i>
Other non-cash loans	39,233,659	61,253,448
Total	83,023,746	78,280,317

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Sectoral risk concentrations of non-cash loans

	Current Period - March 31, 2020				Prior Period - December 31, 2019			
	TL	%	FC	%	TL	%	FC	%
Agricultural	59,726	0.15	251,433	0.57	56,955	0.15	253,240	0.63
Farming and Cattle	55,023	0.14	240,088	0.54	52,735	0.14	231,174	0.58
Forestry	3,594	0.01	-	-	4,190	0.01	-	-
Fishing	1,109	-	11,345	0.03	30	-	22,066	0.05
Manufacturing	12,282,148	31.90	23,244,330	52.21	11,788,946	30.97	20,327,094	50.55
Mining	239,230	0.62	243,337	0.55	236,923	0.62	165,044	0.41
Production	7,343,166	19.07	21,529,964	48.36	7,030,835	18.47	19,172,563	47.68
Electric, gas and water	4,699,752	12.21	1,471,029	3.30	4,521,188	11.88	989,487	2.46
Construction	7,562,698	19.64	7,127,166	16.01	7,620,745	20.02	5,912,307	14.70
Services	17,451,968	45.34	11,804,005	26.50	17,217,616	45.23	10,490,645	26.09
Wholesale and retail trade	5,988,238	15.55	6,730,697	15.12	6,037,803	15.86	6,341,737	15.77
Hotel, food and beverage Services	310,017	0.81	566,454	1.27	314,844	0.83	412,217	1.03
Transportation and telecommunication	3,386,823	8.80	2,785,684	6.26	2,804,464	7.37	2,178,819	5.42
Financial institutions	4,481,627	11.64	214,921	0.48	4,702,677	12.35	174,578	0.43
Real estate and renting Services	1,095,265	2.85	690,865	1.55	1,139,197	2.99	465,306	1.16
Self-employment services	1,942,368	5.05	375,536	0.84	1,962,573	5.16	321,924	0.80
Education services	58,496	0.15	6,157	0.01	56,442	0.15	4,464	0.01
Health and social services	189,134	0.49	433,691	0.97	199,616	0.52	591,600	1.47
Other	1,144,451	2.97	2,095,821	4.71	1,385,664	3.64	3,227,105	8.03
Total	38,500,991	100.00	44,522,755	100.00	38,069,926	100.00	40,210,391	100.00

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

Current Period - March 31, 2020	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	36,283,175	24,332,393	1,284,334	664,130
Confirmed Bills of Exchange and Acceptances	6,957	5,089,604	-	-
Letters of Credit	123,319	13,455,302	-	102,564
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	357,962	158,224	-	-
Other Guarantees and Sureties	116,230	319,926	-	-
Non-Cash Loans	36,887,643	43,355,449	1,284,334	766,694

Prior Period - December 31, 2019	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	35,950,263	20,694,480	1,104,761	574,064
Confirmed Bills of Exchange and Acceptances	7,842	4,562,605	-	3,382
Letters of Credit	141,830	13,517,542	-	73,273
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	324,144	142,897	-	-
Other Guarantees and Sureties	217,069	276,662	-	-
Non-Cash Loans	36,641,148	39,194,186	1,104,761	650,719

5. Contingent assets and liabilities

Group allocates TL 38,332 as provision for lawsuits against the Group (December 31, 2019: TL 37,141).

6. Services rendered on behalf of third parties

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Interest income

Information on interest income received from loans

	Current Period March 31, 2020		Prior Period March 31, 2019	
	TL	FC	TL	FC
Short-term loans	1,572,777	158,192	2,494,002	188,978
Medium and long-term loans	5,126,239	1,328,728	4,063,763	1,236,161
Non-performing loans	195,269	-	122,915	-
Premiums received from resource utilization support fund	-	-	-	-
Total	6,894,285	1,486,920	6,680,680	1,425,139

Information on interest income received from banks

	Current Period - March 31, 2020		Prior Period - March 31, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	176
Domestic Banks	24,116	5,331	33,261	13,314
Foreign Banks	470	20,994	606	45,548
Foreign Head Office and Branches	-	-	-	-
Total	24,586	26,325	33,867	59,038

Information on interest income received from marketable securities portfolio

	Current Period March 31, 2020		Prior Period March 31, 2019	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	20,091	14,252	11,076	308
Financial assets at fair value through other comprehensive income	664,218	84,964	372,731	40,962
Financial assets measured at amortised cost	989,906	154,043	1,028,792	109,576
Total	1,674,215	253,259	1,412,599	150,846

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 March 31, 2020, the valuation of the related securities was based on an annual inflation forecast of 8.12%. If the valuation of these securities indexed to CPI was made according to the reference index valid for March 31, 2020, the Parent Bank’s equity valuation differences on equity would decrease by TL 11,79 million (full TL) and the net profit for the period would increase 83,41 million TL (full TL).

Information on interest income received from associates and subsidiaries

None.

2. Interest Expense

Interest expense on funds borrowed

	Current Period – March 31, 2020		Prior Period - March 31, 2019	
	TL	FC	TL	FC
Banks	52,242	348,968	86,831	352,125
Central Bank of Republic of Turkey	-	491	-	404
Domestic Banks	31,246	36,744	69,581	34,288
Foreign Banks	20,996	311,733	17,250	317,433
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	17,740	-	20,311
Total	52,242	366,708	86,831	372,436

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Interest expense paid to associates and subsidiaries

	Current Period – March 31, 2020	Prior Period - March 31, 2019
Interests paid to the associates and subsidiaries	6,138	25,827

Interest expense on securities issued

Interest paid to securities issued as at for the period ended March 31, 2020 is TL 1,139,661 (TL 638,717 and 500,944 FC). (31 March 2019: TL 886,502 (TL 581,274 and 305,228 FC)).

Maturity structure of the interest expense on deposits

Current Period - March 31, 2020	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	64,965	24,192	-	24,261	-	-	113,418
Saving deposits	-	213,285	923,774	62,598	7,645	84,643	293	1,292,238
Public sector deposits	4,235	142,258	135,103	54,237	16,486	665	-	352,984
Commercial deposits	-	280,245	333,338	32,292	21,913	29,334	-	697,122
Other deposits	-	27,136	162,260	64,803	6,522	3,411	-	264,132
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	4,235	727,889	1,578,667	213,930	76,827	118,053	293	2,719,894
<i>FC</i>								
Foreign Currency deposits	3,019	29,449	162,256	15,186	4,894	27,124	-	241,928
Interbank deposits	3,970	9,234	3,439	-	3,448	-	-	20,091
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	16	-	561	150	-	727
Total	6,989	38,683	165,711	15,186	8,903	27,274	-	262,746
Grand Total	11,224	766,572	1,744,378	229,116	85,730	145,327	293	2,982,640

Prior Period - March 31, 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		
<i>TL</i>								
Interbank deposits	-	25,334	26,408	-	15,633	-	-	67,375
Saving deposits	-	326,979	1,693,699	188,836	43,468	27,598	102	2,280,682
Public sector deposits	6,194	174,523	249,354	29,680	20,942	9,316	-	490,009
Commercial deposits	-	233,171	314,513	53,618	34,416	7,259	-	642,977
Other deposits	-	39,703	160,809	169,434	22,935	7,411	-	400,292
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	6,194	799,710	2,444,783	441,568	137,394	51,584	102	3,881,335
<i>FC</i>								
Foreign currency deposits	10,246	27,688	317,161	35,192	13,877	55,358	-	459,522
Interbank deposits	2,202	25,402	26,479	-	15,675	-	-	69,758
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	7	-	-	-	-	-	-	7
Total	12,455	53,090	343,640	35,192	29,552	55,358	-	529,287
Grand Total	18,649	852,800	2,788,423	476,760	166,946	106,942	102	4,410,622

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

	Current Period-March 31, 2020	Prior Period - March 31, 2019
Income	24,696,363	18,585,808
Income from capital market operations	4,155,263	2,003,740
Income from derivative financial instruments	17,732,655	14,330,778
Foreign exchange gains	2,808,445	2,251,290
Losses	(25,276,198)	(18,414,879)
Loss from capital market operations	(4,002,558)	(1,951,603)
Loss from derivative financial instruments	(17,993,639)	(14,321,854)
Foreign exchange loss	(3,280,001)	(2,141,422)
Net trading profit/loss	(579,835)	170,929

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 22,268 as at and for the three-month period ended March 31, 2020 (March 31, 2019: net loss of TL 65,480).

4. Information on other operating income

	Current Period March 31, 2020	Prior Period March 31, 2019
Income from reversal of the provisions for loans from prior periods ^(*)	2,372,906	1,331,990
Earned insurance premiums (net of reinsurance share)	658,836	415,087
Communication income	6,220	10,413
Gain on sale of assets	116,749	54,639
Income from private pension business	47,582	37,643
Rent income	31,302	2,670
Other income	170,308	72,779
Total	3,403,903	1,925,221

^(*) As of March 31 2020, the Bank has written-off loans and provisions, which were classified in the "Group V Loans" (Loans Classified as Loss) and which do not have reasonable expectations for recovery in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA.

5. Expected credit loss and other provision expenses

	Current Period March 31, 2020	Prior Period March 31, 2019
Expected Credit Loss	3,149,430	2,547,551
12 month expected credit loss (stage 1)	860,202	600,974
Significant increase in credit risk (stage 2)	795,368	878,066
Non-performing loans (stage 3)	1,493,860	1,068,511
Marketable Securities Impairment Expense	35,644	33,928
Financial Assets at Fair Value through Profit or Loss	3,630	2,212
Financial Assets at Fair Value Through Other Comprehensive Income	32,014	31,716
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	39,291	-
Investments in Associates	39,291	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	3,224,365	2,581,479

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 CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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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)

6. Information on other operating expenses

	Current Period - March 31, 2020	Prior Period - March 31, 2019
Reserve for Employee Termination Benefits	32,564	27,999
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	125,745	110,672
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	9,564	8,868
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	840,837	712,483
<i>Leasing expenses related to TFRS 16 exceptions</i>	17,888	3,499
<i>Repair and maintenance expenses</i>	16,347	13,424
<i>Advertisement expenses</i>	33,041	30,560
<i>Other expenses</i>	773,561	665,000
Loss on sale of assets	680	1,241
Other ^(*)	1,359,234	458,461
Total	2,368,624	1,319,724

(*) Other operating expenses amounting to TL 1,359,842 (March 31, 2019: TL 458,461) is comprised of provision expenses for dividends to the personnel amounting to TL 77,814 (March 31, 2019: TL 68,324),) 888,478 TL (March 31, 2019: None) written-off loans and receivables, tax, fees and funds expenses amounting to TL 105,209 (March 31, 2019: TL 66,942), Saving Deposits Insurance Fund expenses amounting to TL 67,723 (March 31, 2019: TL 89,339), Compensation pensions amounting to TL 12 (March 31, 2019: TL 3,858), cumulative/noncumulative commission expenses amounting to TL 63,108 (March 31, 2019: TL 40,553), production commission expenses to TL 106,616 (March 31, 2019: TL 69,420) and other expenses amounting to TL 50,274 (March 31, 2019: TL 120,025)

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.

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 1-13 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 148,772 (March 31, 2019: TL 52,003) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

Details of the Group's deferred tax expense are shown in the table below.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

<u>Sources of deferred tax benefit/charge</u>	<u>Current Period - March 31, 2020</u>	<u>Prior Period - March 31, 2019</u>
Arising from Origination / (Reversal) of Deductible Temporary Differences	(32,978)	127,731
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(278,742)	(239,393)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(311,720)	(111,662)

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 10,454,746 interest income and TL 5,373,608 interest expense, also incurred TL 800,395 amount of net fee and commission income from its ordinary banking operations (March 31, 2019: TL 9,940,977 interest income, TL 7,412,756 interest expense, TL 973,118 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

	<u>Current Period March 31, 2020</u>	<u>Prior Period March 31, 2019</u>
Income/(losses) related to non-controlling interest	37,081	15,660

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, insurance 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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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Balance at the beginning of the year	117	358,819	-	-	334,909	57,317
Balance at the end of the year	12,790	385,254	-	-	364,524	13,680
Interest and commission income	-	81	-	-	39	24

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Balance at the beginning of the year	85	222,835	-	44,668	193,297	91,969
Balance at the end of the year	117	358,819	-	-	334,909	57,317
Interest and commission income	-	2	-	1	8,591	2

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	260,823	538,053	-	1,079,621	89,026	623,318
Balance at the end of the year	1,152,208	260,823	-	-	53,774	89,026
Interest on deposits	6,138	25,827	-	68,576	1,408	4,851

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

None.

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

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DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. 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.

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 0.114% (December 31, 2019: 0.001) and 0.481% (December 31, 2019: 0.537) respectively.

Current Period - March 31, 2020	Amount	Compared with the Financial Statement Amount %	
Cash Loans	377,314		0.114
Non-Cash Loans	398,934		0.481
Deposits	1,205,982		0.444
Forward and Option Agreements	-		-

Prior Period - December 31, 2019	Amount	Compared with the Financial Statement Amount %	
Cash Loans	2,827		0.001
Non-Cash Loans	415,648		0.537
Deposits	349,849		0.139
Forward and Option Agreements	-		-

Information on Benefits Provided to Directors

In the accounting period ending on March 31,2020, a total amount of TL 13,803 was paid to the Group top management. (March,31 2019: 11,929 TL).

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

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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

Republic of Turkey – Ministry of Commerce, General Directorate of Domestic Trade allows companies to cancel the general assemblies in order to prevent spread of COVID-19 (Coronavirus) pandemic. Thus, 66st Ordinary General Assembly for the fiscal year 2019, which had declared to be held on 2 April 2020 at 11:00 A.M, has been postponed to a later date with the decision of the Board of Directors of the Parent Bank dated 27 March 2020. Since the Parent Bank's 66th Ordinary General Assembly Meeting has not been held as of the report date, no income distribution has been made for 2019.

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

November 2019	Fitch Ratings
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Stable
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+
Viability Note	b+

December 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

March 2020	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
Independancy from Shareholders	A

(*) Dates represent last report dates.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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

OTHER DISCLOSURES (Continued)

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

The Parent Bank issued a Vakıfbank financing bill with a term of 91 days, a nominal value of TL 89,637,995 (full TL) with the maturity date July 1,2020 and an ISIN code of TRFVKFB72049 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 1, 2020.

On February 17, 2017, the Bank renewed the USD 250 million 3-year bilateral loan it received from ICBC Bank, on April 3, 2020, with a three-year term amounting to USD 325 million.

The Parent Bank signed an agreement for the renewal of the April 2019 syndication transaction on April 29, 2020, and the new syndication agreement amounted to 589.5 million EUR and 312 million USD in 367 days.

The Parent Bank issued a Vakıfbank financing bill with a term of 175 days, a nominal value of TL 137,750,000(full TL) with the maturity date September 25,2020 and an ISIN code of TRFVKFB92021 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 3, 2020.

The bank issued and offered to the public a Vakıfbank financing bill on April 06-07-08,2020, with a term of 126 days, starting April 10,2020 and ending August 14, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB82055 was determined to have TL 300,000,000 (full TL) nominal value, 126 days term, with an annual compound interest rate of 10.0644 % simple interest rate of 9.7500 % and issue price is 96,744.

The Parent Bank issued a Vakıfbank financing bill with a term of 111 days, a nominal value of TL 98,627,434 (full TL) with the maturity date July 30,2020 and an ISIN code of TRFVKFB72056 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 10, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 42 days, a nominal value of TL 142,700,000 (full TL) with the maturity date May 29,2020 and an ISIN code of TRFVKFB52066 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 17, 2020.

For the purpose of the transfer of shares belonging to the Parent Bank, representing 51.1% of Güneş Sigorta's capital and shares representing 53.9% of Vakıf Emeklilik ve Hayat AŞ, to TVF Finansal Yatırımlar AŞ ("TVF Finansal Yatırımlar"), On 22 April 2020, a share transfer agreement was signed between the investments and the seller as a bank, and the mentioned share transfers were completed as of the same date. Accordingly, the price to be paid for the shares of Güneş Sigorta AŞ is determined as 2.22 TL per share, and the total sales price is 612,586,127.65 TL. The amount to be paid for the shares of Vakıf Emeklilik ve Hayat AŞ is determined as 0.0896 TL per share and the total sales price is 724,584,226.21 TL. All of the sales prices will be paid by the special government government domestic debt. As a result of this transaction, the share of TVF Finansal Yatırımlar in Güneş Sigorta A.Ş.'s capital increased to 61.1% and for Vakıf Emeklilik ve Hayat AŞ to 62.9%.

The Parent Bank issued a Vakıfbank financing bill with a term of 63 days, a nominal value of TL 44,626,556 (full TL) with the maturity date June 26,2020 and an ISIN code of TRFVKFB62073 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 24, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 97 days, a nominal value of TL 147,290,469 (full TL) with the maturity date July 30,2020 and an ISIN code of TRFVKFB72064 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 24, 2020.

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OTHER DISCLOSURES (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 57 days, a nominal value of TL 37,760,000 (full TL) with the maturity date June 26,2020 and an ISIN code of TRFVKFB62081 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 30, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 63 days, a nominal value of TL 101,596,074 (full TL) with the maturity date July 2,2020 and an ISIN code of TRFVKFB72072 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on April 30, 2020.

The Parent Bank issued and offered to the public a Vakıfbank financing bill on May 04-05-06,2020, with a term of 168 days, starting May 8,2020 and ending October 23, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFBE2016 was determined to have TL 65,669,943 (full TL) nominal value, with an annual compound interest rate of 9.3240 % simple interest rate of 9.100 % and issue price is 95,98.

The Parent Bank issued and offered to the public a Vakıfbank financing bill on May 04-05-06,2020, with a term of 119 days, starting May 8,2020 and ending September 4, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB92039 was determined to have TL 546,861,440 (full TL) nominal value, with an annual compound interest rate of 9.2758 % simple interest rate of 9.00 % and issue price is 97,149.

At the meeting of the Board of Directors of the Bank dated 11 May 2020, regarding the increase of the Bank's capital allocated within the registered capital ceiling; provided that the Bank remains within the registered capital ceiling, it has been decided to increase the issued capital of TL 2,500,000,000 through cash capital increase, by limiting the pre-emptive rights of the existing shareholders, to obtain a total sales revenue of 7,000,000,000 in allocated and cash. The Bank has applied to the Capital Markets Board to increase its capital allocated within the registered capital ceiling, and for the disposition of issued shares after the allocated capital increase to Turkey Wealth Fund. It has been announced that the capital increase application was approved in the Weekly Bulletin of the Capital Markets Board dated May 14, 2020 and numbered 2020/31.

On May 11, 2020, our Bank has bought 24,027,173.63 Vakıf Gayrimenkul Yatırım privilege Group A shares which is issued via book building process in public offering with a price of TL 1.85. As a result, the total shares of The Parent Bank in Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. have reached 45.71% as of May 11, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 43 days, a nominal value of TL 50,125,819 (full TL) with the maturity date June 26,2020 and an ISIN code of TRFVKFB62099 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on May 14, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 39 days, a nominal value of TL 64,628,459 (full TL) with the maturity date June 22,2020 and an ISIN code of TRFVKFB620A2 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on May 14, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 175 days, a nominal value of TL 807,123,341 (full TL) with the maturity date October 6,2020 and an ISIN code of TRFVKFBK2018 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on May 15, 2020.

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OTHER DISCLOSURES (Continued)

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

The Parent Bank's rating of the MBS (Mortgage-Backed Securities) series it has issued within the scope of structured finance; It has been evaluated by JCR Eurasia Rating in a "highly investment grade" category. The Long-Term National Rating is 'AAA (Trk) 'and the Long-Term International Local currency rating is (BBB-).

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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 three-month period ended March 31, 2020., have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated May 18, 2020 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 three-month period ended March 31, 2020.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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

Message from the Chairman of the Board

Our dear stakeholders,

Uncertainties that plague trade negotiations between the USA and China, the Brexit that drags on and on as well as its adverse repercussions for Europe remained the most important agenda items for 2019 just like the previous year. China's growth stalled at 6.1% last year after years of growth rates above 10%. FED went for a cut in interest rates after an 11-year hiatus and more than 40 Central Banks, including European Central Bank and Turkish Central Bank voted for interest rate cuts as well.

Covid-19, which was first seen in China at the end of 2019 only to spread to the world, turned out to be a large-scale global pandemic as of March, affecting financial and social life. Travel and customs restrictions to contain the spread of the pandemic have caused a sharp contraction in global economic activities.

Various measures have been adopted by our national agencies to fight the effects of the virus. Turkish Central Bank (TCB) Monetary Policy Committee (MPC) convened on March 17 and cut the benchmark rate by 100 basis points. Banking Regulatory and Supervision Agency (BRSA) issued certain decisions to support the banking industry. Proactive stimulus packages were released for our economy, including the "Economic Stability Shield" Program with an initial size of TL 100 billion only to reach a size of TL 200 billion recently, under the coordination of Mr. Berat Albayrak, our Treasury and Finance Minister, whereby all stakeholders in Turkish economy were supported. Moreover, tax postponements, short time working allowance, minimum wage support, postponement of credit repayments and many more support plans were intended to overcome these challenging times with minimum damage.

In the first quarter of 2020, Turkish banking industry maintained its strong structure. The industry's asset size has reached TL 4.873 billion, a 8.5% increase, since December 2019. Capital adequacy ratio in the industry turned out to be 17.90% by the end of March.

In VakıfBank, we continued to keep our healthy growth pace during this term. Our asset size reached TL 463.7 billion and our cash loans which have the largest share in our assets have increased, by 13.55%, to TL 312 billion . We increased deposits, our main funding source, to TL 269 billion.

We will resume where we left after we leave Coronavirus pandemic behind us. We know that our future will be better than today. VakıfBank will continue to be the force supporting Turkish economy in the period ahead and we will not shy away from assuming responsibility, as has always been. I would like to thank to all our precious customers, shareholders and investors that put their trust in our hands and our dedicated employees.

Sincerely yours,

Abdülkadir AKSU
Chairman of the Board

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INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

Message from the General Manager

Our dear stakeholders,

2019 was a year in which global growth pace slowed down, and central banks in many developed and emerging markets sustained quantitative easing policies. In 2019, US economy, Euro zone economy and Chinese economy finished the year with growth rates of 2,3%, 1,2% and 6,1%, respectively.

During the first quarter in 2020, however, it was Coronavirus pandemic that affected the markets. The pandemic caused a steep contraction in global economic operations, and many countries have launched quantitative easing and fiscal policies in order to contain the adverse consequences of it. Published data reflect the negative impact on the Coronavirus on national economies. USA and Euro Zone economies shrunk by 4.8% and 3.3% in Q12020, while the national economy in China, where the pandemic first emerged, contracted by 6.8% year over year during the first quarter despite the fact that Coronavirus pandemic has been contained there.

Turkish economy, on the other hand, finished 2019 with a 0.9% positive growth in spite of all challenges that it has faced. As first Coronavirus cases were diagnosed in March, public agencies and institutions proactively took measures fast. Our President Mr. Recep Tayyip Erdoğan announced an Economic Stability Shield program which embraced all segments of the public from the retirees to employees to artisans and craftsmen to real sector in order to fight Coronavirus. VakıfBank continued to support our national economy as well during this unprecedented pandemic time. We lent CGF-backed Business Continuity Support Loans under the Economic Stability Shield Program to meet working capital needs of all our enterprises exposed to the adverse effects of Coronavirus without any discrimination among the sectors. We launched Consumer Basic Needs Support Credit campaign to provide our retail banking customers in medium and low income segment with financial support. Likewise, we postponed all credit and credit card debts of our customers who have been facing payment difficulties upon their request.

During this time, boosted by our support to Turkish economy, our Bank's asset size increased, by 10.56%, to TL 463.7 billion. The biggest contributor to our asset growth turned out to be loans. Our commercial loans reached TL 242 billion, a 15.48% increase, and consumer loans reached TL 70 billion; a 7.40% increase. Total support that we provided to brace our national economy thanks to cash and non-cash loans rose to TL 394 million.

We continued to support the real sector by means of various sources that we secured at a time when the effects of Coronavirus pandemic ravaging the world were felt very severely. Deposits, our main funding source, increased, by 6.93%, to TL 269 billion. Notwithstanding the foregoing, we completed a 5-year USD-denominated Eurobond issue for a sum of USD 750 million under the Global Medium Term Notes (GMTN) program.

Our Bank maintained its strong capital structure during this pandemic period as well. In Q12020 our capital adequacy ratio was 14.73%. Moreover, our Bank made a net profit of TL 1.7 billion, thus rounding off the first quarter successfully.

During the pandemic period, VakıfBank adopted various measures to care for the health of both our employees and customers. We continued to offer uninterrupted services to our customers in our branches with a keen eye on social distancing rules. We have launched a distance working model on an alternative basis for the sake of keeping our employees safe and healthy in the Head Office building and our other service buildings. With our powerful technological infrastructure, we made it possible for our customers to do their transactions over our digital channels.

With our well-developed technological infrastructure and a broad range of products and services, we will continue to be the strength of our country and nation, both during and after the pandemic era. And I would like to thank with all my heart to all our customers and our shareholders who have never stopped trusting us, and our dedicated employees with the lion's share in our success stories, and our Board of Directors who never hold back their support from us and all other social stakeholders because of their much valued contribution.

Sincerely yours,

Abdi Serdar ÜSTÜNSALİH
General Manager and Corporate Executive in Board of Directors.

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INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

Major Financial Indicators

SUMMARY BALANCE SHEET (in million TL)	MARCH 2020	DECEMBER 2019	CHANGE (%)
TOTAL ASSETS	463,704	419,426	10.56
SECURITIES PORTFOLIO	88,820	73,016	21.64
LOANS (*)	312,014	274,777	13.55
- Commercial loans	241,689	209,295	15.48
- Consumer loans	70,325	65,482	7.40
DEPOSITS	268,969	251,531	6.93
- Term Deposits	210,858	200,837	4.99
- Demand Deposits	58,111	50,694	14.63
LOANS BORROWED	42,796	41,079	4.18
SUBORDINATED DEBT INSTRUMENTS	17,323	19,245	-9.99
SECURITIES ISSUED (NET)	36,875	29,176	26.39
EQUITY RESOURCES	33,466	33,026	1.33
NON-CASH LOANS	82,118	77,336	6.18

SUMMARY INCOME STATEMENT (Million TL)	MARCH 2020	MARCH 2019	CHANGE (%)
Financial period's Net Profit/ Loss	1,716	651	163.53

INDICATOR RATIOS (%)	MARCH 2020	DECEMBER 2019
TOTAL LOANS/ ASSETS (*)	67.29	65.51
LOAN/ DEPOSIT (*)	116.00	109.24
NON-PERFORMING LOANS RATIO	5.30	5.93
CAPITAL ADEQUACY RATIO	14.73	16.61
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.55	0.75
RETURN ON AVERAGE EQUITY (ROAE) (**)	20.65	9.13

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

Major Financial Indicators (Consolidated)

SUMMARY BALANCE SHEET (in million TL)	MARCH 2020	DECEMBER 2019	CHANGE (%)
TOTAL ASSETS	478,006	433,041	10.38
SECURITIES PORTFOLIO	91,267	75,123	21.49
LOANS (*)	319,133	282,217	13.08
- Commercial loans	248,804	216,731	14.80
- Consumer loans	70,329	65,486	7.40
DEPOSITS	271,422	254,131	6.80
- Term Deposits	212,632	202,788	4.85
- Demand Deposits	58,790	51,343	14.51
LOANS BORROWED	46,592	45,064	3.39
SUBORDINATED DEBT INSTRUMENTS	17,323	19,245	-9.99
SECURITIES ISSUED (NET)	36,753	29,248	25.66
EQUITY RESOURCES	34,485	33,552	2.78
NON-CASH LOANS	83,024	78,280	6.06

SUMMARY INCOME STATEMENT (Million TL)	MARCH 2020	MARCH 2019	CHANGE (%)
Financial period's Net Profit/ Loss	1,766	780	126.32

INDICATOR RATIOS (%)	MARCH 2020	DECEMBER 2019
TOTAL LOANS/ ASSETS (*)	66.76	65.17
LOAN/ DEPOSIT (*)	117.58	111.05
NON-PERFORMING LOANS RATIO	5.31	5.91
CAPITAL ADEQUACY RATIO	14.56	16.22
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.55	0.87
RETURN ON AVERAGE EQUITY (ROAE) (**)	20.77	10.75

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

2020 First Quarter Assessment

Our Group has continued to grow in the first quarter of 2020, and increased its total assets by 10.38% to TL 478,006 million. During that quarter, our performing loans have increased by 13.08% to TL 319,133 million, and the share of performing loans in total assets has been 66.76%. In breakdown of the loans, our commercial loans have reached TL 248,804 million, while retail loans reached TL 70,329 million.

In the first quarter of 2020, total deposits increased by 6.80% to TL 271,422 million.

In addition to deposits, our Group has issued bond with a total of TL 7,236 million nominal value in the first quarter of 2020, to be sold domestically through public offer and to qualified investors. The international funding amount provided within the year reached USD 1,257 million during the year.

Our Group completed a 5-year USD denominated bond issue with a value of 750 million USD under the "Global Medium Term Notes Program" in January. The issue covers 5-year bonds with a fixed interest rate and with redemption date of 5 February 2025 and semi-annual coupon payment with a coupon rate of 5.25%.

Our Group decided to exercise its early redemption option of Basel 3 compliant 10-year subordinated debenture (Tier 2 capital) with early redemption option at the end of 5th year for a value of 500 million USD which was issued on 2 February 2015, and the debenture was redeemed on 3 February 2020.

In the first quarter of 2020, our Bank has delivered TL 1.766 million net income for the period. The Group's capital adequacy ratio has been 14.56%.

As of March 31 2020, the Bank's number of branches is 940 and the number of the employees is 16,742.

JCR Eurasia Ratings has confirmed our Bank's Long Term National Rating as "AAA (Trk)", Short Term National Rating as "A-1+ (Trk)", and outlook as 'Stable'. Long Term International Foreign and Local Currency Ratings were confirmed as 'BBB-'.

Other Significant Developments

- On 15.01.2020, VakıfBank completed the sales of Güneş Sigorta A.Ş. stocks at a total nominal value of TL 27,000,000 within a price range of TL 2.28 and TL 2.45. Following this sales, our shareholding ratio in Güneş Sigorta A.Ş. decreased to 51.10%.
- Based on our Bank's Board of Directors' Resolution, the share capital held by Vakıf Emeklilik and Hayat A.Ş. in Vakıf Gayrimenkul Değerleme A.Ş. was acquired by our Bank.
- Pursuant to Turkey's ATM Center (TAM) Project for the joint delivery of ATM services by public banks, it was resolved that our Bank will acquire a 33.33% shareholding in Bileşim Alternatif Dağıtım Kanalları A.Ş., 100% of whose nominal capital is held by Türkiye Halk Bankası A.Ş.
- Based on our Bank's Board of Directors' resolution on 27 February 2020, it was resolved that our Bank will make an offer to acquire 10% shareholding held by Türkiye Vakıflar Bankası T.A.O Officials and ESV in the capital of VakıfBank International AG, a subsidiary of ours, and that in case our offer is found acceptable by the said Fund, our Bank will acquire these shares.

Amendments to Articles of Association

There has been no amendment to the Articles of Incorporation during the term.