

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

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



## **AUDITOR'S REVIEW REPORT ON INTERIM 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 30 September 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nice-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim 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; a portion of free provision amounting to TL 178,000 thousand has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying consolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is TL 852,000 thousand as at 30 September 2019.



### ***Qualified Conclusion***

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the consolidated financial position of Türkiye Vakıflar Bankası T.A.O. and its consolidated subsidiaries at 30 September 2019 and the consolidated results of its operations and its consolidated cash flows for the nine-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.

Haluk Yalçın, SMMM  
Partner

Istanbul, 8 November 2019

**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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

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

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

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

The accompanying consolidated financial statements for the nine-month period 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.

November 8, 2019

Abdülkadir AKSU  
Chairman of The Board

Şahap KAVCIOĞLU  
Deputy Chairman of the Board and  
Committee Member

Serdar TUNÇBİLEK  
Board and Audit  
Committee Member

Abdi Serdar ÜSTÜNSALİH  
General Manager and  
Board Member

Şuayyip İLBİLGİ  
Assistant General Manager

Korhan TURGUT  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

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

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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

Shareholders - September 30,2019	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,652,715	2,653	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,535,258	630,535	25.22
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

  

Shareholders- December 31,2018	Number of Shares – 100 unit	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Registered foundations represented by the General Directorate of the Foundations (Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Registered foundations represented by the General Directorate of the Foundations (Group B)	386,224,785	386,225	15.45
Other appendant foundations (Group B)	2,673,619	2,674	0.11
Other registered foundations (Group B)	1,448,543	1,448	0.06
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,514,354	630,514	25.22
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

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

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**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

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

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

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

GENERAL INFORMATION (Continued)

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

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



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

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

As per decision taken on the same date;

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

appointed as Assistant General Managers.

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

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

**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.

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

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

(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 September 30, 2019, The Parent Bank has 943 domestic, 3 foreign, in total 946 branches (December 31, 2018: 948 domestic, 3 foreign, in total 951 branches). As at September 30, 2019, The Parent Bank has 16,865 employees (December 31, 2018: 16,767 employees).

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

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

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

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

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

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

None.

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

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

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

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## **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 SEPTEMBER 30, 2019**

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

ASSETS	Notes	Reviewed Current Period September 30, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>21,235,751</b>	<b>41,349,124</b>	<b>62,584,875</b>	<b>17,935,560</b>	<b>36,769,530</b>	<b>54,705,090</b>
<b>1.1 Cash and cash equivalents</b>	<b>V-I-1</b>	<b>4,094,770</b>	<b>33,508,927</b>	<b>37,603,697</b>	<b>6,029,366</b>	<b>33,165,402</b>	<b>39,194,768</b>
1.1.1 Cash and balances at Central Bank	V-I-1	3,194,590	27,759,465	30,954,055	5,466,368	27,025,089	32,491,457
1.1.2 Banks	V-I-3	891,684	5,749,496	6,641,180	563,482	6,140,626	6,704,108
1.1.3 Receivables from Money Markets		14,506	-	14,506	6,839	-	6,839
1.1.4 Allowance for expected credit losses (-)	V-I-2	6,010	34	6,044	7,323	313	7,636
<b>1.2 Financial assets at fair value through profit or loss</b>		<b>359,603</b>	<b>104,844</b>	<b>464,447</b>	<b>147,706</b>	<b>76,799</b>	<b>224,505</b>
1.2.1 Public debt securities		192	7,563	7,755	3,131	7,033	10,164
1.2.2 Equity instruments		3,421	97,281	100,702	2,914	69,766	72,680
1.2.3 Other financial assets	V-I-4	355,990	-	355,990	141,661	-	141,661
<b>1.3 Financial assets at fair value through other comprehensive income</b>		<b>13,443,321</b>	<b>6,658,219</b>	<b>20,101,540</b>	<b>7,727,407</b>	<b>3,145,027</b>	<b>10,872,434</b>
1.3.1 Public debt securities		12,779,626	5,569,463	18,349,089	7,662,348	2,161,026	9,823,374
1.3.2 Equity instruments		128,965	3,722	132,687	-	3,451	3,451
1.3.3 Other financial assets	V-I-6	534,730	1,085,034	1,619,764	65,059	980,550	1,045,609
<b>1.4 Derivative financial assets</b>		<b>3,338,057</b>	<b>1,077,134</b>	<b>4,415,191</b>	<b>4,031,081</b>	<b>382,302</b>	<b>4,413,383</b>
1.4.1 Derivative financial assets at fair value through profit or loss		3,338,057	1,077,134	4,415,191	4,031,081	382,302	4,413,383
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>211,040,897</b>	<b>101,572,587</b>	<b>312,613,484</b>	<b>175,129,227</b>	<b>93,496,819</b>	<b>268,626,046</b>
<b>2.1 Loans</b>		<b>187,776,604</b>	<b>87,470,820</b>	<b>275,247,424</b>	<b>150,765,467</b>	<b>83,697,409</b>	<b>234,462,876</b>
<b>2.2 Receivables from leasing transactions</b>		<b>647,772</b>	<b>2,027,032</b>	<b>2,674,804</b>	<b>528,938</b>	<b>2,252,664</b>	<b>2,781,602</b>
<b>2.3 Factoring receivables</b>		<b>2,439,848</b>	<b>190,027</b>	<b>2,629,875</b>	<b>2,537,604</b>	<b>97,705</b>	<b>2,635,309</b>
<b>2.4 Financial assets measured at amortised cost</b>	<b>V-I-5</b>	<b>34,293,277</b>	<b>12,055,959</b>	<b>46,349,236</b>	<b>32,377,288</b>	<b>7,603,222</b>	<b>39,980,510</b>
2.4.1 Public debt securities		34,234,431	11,762,263	45,996,694	32,326,808	7,413,026	39,739,834
2.4.2 Other financial assets		58,846	293,696	352,542	50,480	190,196	240,676
<b>2.5 Allowance for expected credit losses (-)</b>		<b>14,116,604</b>	<b>171,251</b>	<b>14,287,855</b>	<b>11,080,070</b>	<b>154,181</b>	<b>11,234,251</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATION (Net)</b>		<b>3,039,947</b>	<b>-</b>	<b>3,039,947</b>	<b>1,568,113</b>	<b>-</b>	<b>1,568,113</b>
3.1 Held for sale purpose	V-I-10	3,039,947	-	3,039,947	1,568,113	-	1,568,113
3.2 Related to discontinued operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>1,055,549</b>	<b>3</b>	<b>1,055,552</b>	<b>1,125,286</b>	<b>3</b>	<b>1,125,289</b>
<b>4.1 Investments in associates (Net)</b>		<b>735,656</b>	<b>3</b>	<b>735,659</b>	<b>805,406</b>	<b>3</b>	<b>805,409</b>
4.1.1 Associates accounted by using equity method		423,548	-	423,548	363,641	-	363,641
4.1.2 Unconsolidated associates		312,108	3	312,111	441,765	3	441,768
<b>4.2 Investments in subsidiaries (Net)</b>		<b>319,893</b>	<b>-</b>	<b>319,893</b>	<b>319,880</b>	<b>-</b>	<b>319,880</b>
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		319,893	-	319,893	319,880	-	319,880
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>		<b>3,130,301</b>	<b>10,969</b>	<b>3,141,270</b>	<b>2,832,630</b>	<b>11,876</b>	<b>2,844,506</b>
<b>VI. INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>V-I-14</b>	<b>289,212</b>	<b>295</b>	<b>289,507</b>	<b>286,176</b>	<b>335</b>	<b>286,511</b>
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		274,581	295	274,876	271,545	335	271,880
<b>VII. INVESTMENT PROPERTIES (Net)</b>		<b>654,306</b>	<b>-</b>	<b>654,306</b>	<b>607,400</b>	<b>-</b>	<b>607,400</b>
<b>VIII. CURRENT TAX ASSETS</b>	<b>V-I-7</b>	<b>19,183</b>	<b>-</b>	<b>19,183</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>IX. DEFERRED TAX ASSETS</b>		<b>814,851</b>	<b>-</b>	<b>814,851</b>	<b>188,968</b>	<b>-</b>	<b>188,968</b>
<b>X. OTHER ASSETS</b>		<b>7,881,595</b>	<b>6,814,683</b>	<b>14,696,278</b>	<b>6,064,575</b>	<b>8,621,960</b>	<b>14,686,535</b>
<b>TOTAL ASSETS</b>		<b>249,161,592</b>	<b>149,747,661</b>	<b>398,909,253</b>	<b>205,737,937</b>	<b>138,900,523</b>	<b>344,638,460</b>

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

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

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

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

LIABILITIES	Notes	Reviewed Current Period September 30, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	V-II-1	132,823,507	99,183,540	232,007,047	108,319,277	74,156,432	182,475,709
<b>II. BORROWINGS</b>	V-II-3	1,714,753	39,639,603	41,354,356	2,639,581	42,793,276	45,432,857
<b>III. MONEY MARKET FUNDS</b>		17,234,091	4,801,028	22,035,119	26,863,700	2,260,172	29,123,872
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	V-II-3	11,125,715	16,412,127	27,537,842	8,111,583	14,660,908	22,772,491
4.1 Bills		5,703,035	-	5,703,035	4,319,247	-	4,319,247
4.2 Asset backed securities		-	-	-	62,960	-	62,960
4.3 Bonds		5,422,680	16,412,127	21,834,807	3,729,376	14,660,908	18,390,284
<b>V. FUNDS</b>		3,053	-	3,053	3,054	-	3,054
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,053	-	3,053	3,054	-	3,054
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	V-II-2	2,613,852	1,065,721	3,679,573	2,121,617	430,631	2,552,248
7.1 Derivative financial liabilities at fair value through profit or loss		2,613,852	1,065,721	3,679,573	2,121,617	430,631	2,552,248
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		486	20	506	903	-	903
<b>IX. LEASE PAYABLES (Net)</b>	V-II-5	846,145	109	846,254	-	-	-
<b>X. PROVISIONS</b>		5,806,964	50,603	5,857,567	5,783,951	44,704	5,828,655
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,075,312	4,013	1,079,325	1,084,477	3,641	1,088,118
10.3 Insurance technical reserves (Net)		3,619,467	18,544	3,638,011	3,428,842	18,220	3,447,062
10.4 Other provisions	V-II-7	1,112,185	28,046	1,140,231	1,270,632	22,843	1,293,475
<b>XI. CURRENT TAX LIABILITIES</b>		1,512,720	1,489	1,514,209	855,863	1,301	857,164
<b>XII. DEFERRED TAX LIABILITIES</b>		58,299	37,096	95,395	31,040	681	31,721
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>		-	-	-	1,546	-	1,546
13.1 Held for sale		-	-	-	1,546	-	1,546
13.2 Related to discontinued operations	V-II-8	-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>		6,248,937	12,223,175	18,472,112	5,668,121	7,353,902	13,022,023
14.1 Loans	V-II-9	-	-	-	-	-	-
14.2 Other debt instruments		6,248,937	12,223,175	18,472,112	5,668,121	7,353,902	13,022,023
<b>XV. OTHER LIABILITIES</b>		10,062,631	3,438,854	13,501,485	7,926,529	5,503,935	13,430,464
<b>XVI. SHAREHOLDERS' EQUITY</b>	V-II-10	31,178,557	826,178	32,004,735	28,533,753	572,000	29,105,753
16.1 Paid-in capital		2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		775,891	-	775,891	815,709	-	815,709
16.2.1 Equity share premiums	V-II-4	727,865	-	727,865	724,276	-	724,276
16.2.2 Share cancellation profits	V-II-11	-	-	-	-	-	-
16.2.3 Other capital reserves	V-II-11	48,026	-	48,026	91,433	-	91,433
<b>16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss</b>		1,537,760	-	1,537,760	1,617,926	578	1,618,504
<b>16.4 Other accumulated comprehensive income that will be reclassified in profit or loss</b>		404,548	608,131	1,012,679	(126,314)	213,595	87,281
<b>16.5 Profit reserves</b>		23,304,354	186,048	23,490,402	18,226,208	19,673	18,245,881
16.5.1 Legal reserves		2,577,500	10,669	2,588,169	2,079,765	10,669	2,090,434
16.5.2 Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3 Extraordinary reserves		20,269,872	171,764	20,441,636	15,689,472	5,389	15,694,861
16.5.4 Other profit reserves		450,645	3,615	454,260	450,634	3,615	454,249
<b>16.6 Profit or loss</b>		1,846,955	(17,056)	1,829,899	4,850,989	245,715	5,096,704
16.6.1 Prior years' profits or losses		(149,741)	(40,469)	(190,210)	440,987	111,439	552,426
16.6.2 Current period net profit or loss		1,996,696	23,413	2,020,109	4,410,002	134,276	4,544,278
<b>16.7 Minority interests</b>		809,049	49,055	858,104	649,235	92,439	741,674
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>221,229,710</b>	<b>177,679,543</b>	<b>398,909,253</b>	<b>196,860,518</b>	<b>147,777,942</b>	<b>344,638,460</b>

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

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

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

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

	Notes	Reviewed Current Period September 30, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>131,739,138</b>	<b>195,076,505</b>	<b>326,815,643</b>	<b>96,501,074</b>	<b>145,965,409</b>	<b>242,466,483</b>
<b>I. GUARANTEES AND WARRENTIES</b>	<b>V-III-2</b>	<b>38,233,691</b>	<b>32,915,728</b>	<b>71,149,419</b>	<b>37,626,296</b>	<b>28,402,701</b>	<b>66,028,997</b>
1.1. Letters of guarantee		37,466,392	18,603,320	56,069,712	36,896,905	15,055,991	51,952,896
1.1.1. Guarantees subject to state tender law		2,903,967	6,643,353	9,547,320	3,807,039	5,902,336	9,709,375
1.1.2. Guarantees given for foreign trade operations		1,298,946	-	1,298,946	1,314,771	-	1,314,771
1.1.3. Other letters of guarantee		33,263,479	11,959,967	45,223,446	31,775,095	9,153,655	40,928,750
<b>1.2. Bank acceptances</b>		<b>7,842</b>	<b>4,068,101</b>	<b>4,075,943</b>	<b>24,005</b>	<b>2,948,104</b>	<b>2,972,109</b>
1.2.1. Import letter of acceptance		-	260,084	260,084	-	586,987	586,987
1.2.2. Other bank acceptances		7,842	3,808,017	3,815,859	24,005	2,361,117	2,385,122
<b>1.3. Letters of credit</b>	<b>V-III-4</b>	<b>147,704</b>	<b>9,908,206</b>	<b>10,055,910</b>	<b>51,010</b>	<b>10,148,777</b>	<b>10,199,787</b>
1.3.1. Documentary letters of credit		147,704	9,908,206	10,055,910	51,010	10,148,777	10,199,787
1.3.2. Other letters of credit		-	-	-	-	-	-
<b>1.4. Pre-financings given as guarantee</b>		-	4,492	4,492	-	4,199	4,199
<b>1.5. Endorsements</b>		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
<b>1.6. Purchase guarantees for securities issued</b>		-	-	-	-	-	-
<b>1.7. Factoring guarantees</b>		381,881	91,635	473,516	243,674	127,759	371,433
<b>1.8. Other guarantees</b>		53,427	47,389	100,816	58,309	38,904	97,213
<b>1.9. Other warranties</b>		176,445	192,585	369,030	352,393	78,967	431,360
<b>II. COMMITMENTS</b>		<b>46,598,474</b>	<b>32,512,001</b>	<b>79,110,475</b>	<b>38,193,153</b>	<b>27,235,343</b>	<b>65,428,496</b>
<b>2.1. Irrevocable commitments</b>	<b>V-III-1</b>	<b>41,684,890</b>	<b>5,567,916</b>	<b>47,252,806</b>	<b>33,843,142</b>	<b>2,631,960</b>	<b>36,475,102</b>
2.1.1. Asset purchase and sales commitments		3,871,122	5,473,903	9,345,025	1,501,627	2,252,627	3,754,254
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		7,500	-	7,500	2,250	-	2,250
2.1.4. Loan granting commitments		16,898,996	2,069	16,901,065	14,103,024	2,325	14,105,349
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		2,277,442	-	2,277,442	1,979,217	-	1,979,217
2.1.8. Tax and fund liabilities on export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		16,159,649	-	16,159,649	13,549,649	-	13,549,649
2.1.10. Commitments for credit card and banking services promotions		656,634	-	656,634	571,282	-	571,282
2.1.11. Receivables from short sale commitments on marketable securities		-	-	-	-	-	-
2.1.12. Payables from short sale commitments on marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		1,813,547	91,944	1,905,491	2,136,093	377,008	2,513,101
<b>2.2. Revocable commitments</b>		<b>4,913,584</b>	<b>26,944,085</b>	<b>31,857,669</b>	<b>4,350,011</b>	<b>24,603,383</b>	<b>28,953,394</b>
2.2.1. Revocable loan granting commitments		4,913,584	26,944,085	31,857,669	4,350,011	24,603,383	28,953,394
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>46,906,973</b>	<b>129,648,776</b>	<b>176,555,749</b>	<b>20,681,625</b>	<b>90,327,365</b>	<b>111,008,990</b>
<b>3.1. Derivative financial instruments held for hedging purposes</b>		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedging for investments made in foreign countries		-	-	-	-	-	-
<b>3.2. Trading transactions</b>		<b>46,906,973</b>	<b>129,648,776</b>	<b>176,555,749</b>	<b>20,681,625</b>	<b>90,327,365</b>	<b>111,008,990</b>
3.2.1. Forward foreign currency purchase and sale transactions		1,472,548	1,409,186	2,881,734	1,201,285	1,543,434	2,744,719
3.2.1.1. Forward foreign currency purchase transactions		739,279	704,614	1,443,893	602,318	771,805	1,374,123
3.2.2.2. Forward foreign currency sales		733,269	704,572	1,437,841	598,967	771,629	1,370,596
3.2.2. Currency and interest rate swaps		36,409,228	118,059,780	154,469,008	13,620,376	74,478,250	88,098,626
3.2.2.1. Currency swap purchase transactions		1,857,724	45,249,885	47,107,609	2,515,004	20,334,407	22,849,411
3.2.2.2. Currency swap sale transactions		30,951,504	15,521,951	46,473,455	7,805,372	10,611,535	18,416,907
3.2.2.3. Interest rate swap purchase transactions		1,800,000	28,643,972	30,443,972	1,650,000	21,766,154	23,416,154
3.2.2.4. Interest rate swaps sale transactions		1,800,000	28,643,972	30,443,972	1,650,000	21,766,154	23,416,154
3.2.3. Currency, interest rate and security options		1,009,588	1,303,472	2,313,060	697,904	1,784,623	2,482,527
3.2.3.1. Currency purchase option		726,580	427,740	1,154,320	349,778	865,498	1,215,276
3.2.3.2. Currency sale option		283,008	875,732	1,158,740	348,126	919,125	1,267,251
3.2.3.3. Interest rate purchase options		-	-	-	-	-	-
3.2.3.4. Interest rate sale options		-	-	-	-	-	-
3.2.3.5. Security purchase options		-	-	-	-	-	-
3.2.3.6. Security sale options		-	-	-	-	-	-
3.2.4. Currency futures		-	-	-	-	-	-
3.2.4.1. Currency purchase 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		8,015,609	8,876,338	16,891,947	5,162,060	12,521,058	17,683,118
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>2,133,675,094</b>	<b>1,446,359,816</b>	<b>3,580,034,910</b>	<b>1,560,609,530</b>	<b>1,221,238,103</b>	<b>2,781,847,633</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>69,288,256</b>	<b>13,883,536</b>	<b>83,171,792</b>	<b>54,906,337</b>	<b>7,564,236</b>	<b>62,470,573</b>
4.1. Customer fund and portfolio balances		2,233,149	-	2,233,149	1,907,458	-	1,907,458
4.2. Securities held in custody		51,485,259	5,130,196	56,615,455	37,070,534	395,353	37,465,887
4.3. Checks received for collection		8,709,519	1,101,057	9,810,576	9,579,919	1,224,880	10,804,799
4.4. Commercial notes received for collection		5,370,186	1,064,056	6,434,242	4,883,607	1,301,631	6,185,238
4.5. Other assets received for collection		2,152	226	2,378	2,152	211	2,363
4.6. Securities received for public offering		-	-	-	-	-	-
4.7. Other items under custody		164,195	4,184,648	4,348,843	114,532	3,066,202	3,180,734
4.8. Custodians		1,323,796	2,403,353	3,727,149	1,348,135	1,575,959	2,924,094
<b>V. PLEDGED ITEMS</b>		<b>745,903,059</b>	<b>225,716,155</b>	<b>971,619,214</b>	<b>428,113,720</b>	<b>204,235,157</b>	<b>632,348,877</b>
5.1. Marketable securities		461,346	42,387	503,733	355,159	9,824	364,983
5.2. Guarantee notes		870,458	1,552,915	2,423,373	684,888	1,135,681	1,820,569
5.3. Commodity		105,112,592	2,421,087	107,533,679	32,405,583	1,711,768	34,117,351
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		525,166,170	179,226,589	704,392,759	341,011,234	163,744,146	504,755,380
5.6. Other pledged items		113,598,394	42,314,225	155,913,319	52,811,517	37,364,638	90,176,155
5.7. Depositories receiving pledged items		694,099	158,252	852,351	845,339	269,100	1,114,439
<b>VI. ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>1,318,483,779</b>	<b>1,206,760,125</b>	<b>2,525,243,904</b>	<b>1,077,589,473</b>	<b>1,009,438,710</b>	<b>2,087,028,183</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>2,265,414,232</b>	<b>1,641,436,321</b>	<b>3,906,850,553</b>	<b>1,657,110,604</b>	<b>1,367,203,512</b>	<b>3,024,314,116</b>

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

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

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

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

	Notes	Reviewed Current Period January 1, 2019- September 30, 2019	Current Period July 1, 2019- September 30, 2019	Reviewed Prior Period January 1, 2018- September 30, 2018	Prior Period July 1, 2018- September 30, 2018
<b>I. INTEREST INCOME</b>	<b>V-IV-1</b>	<b>32,151,335</b>	<b>11,122,370</b>	<b>24,183,949</b>	<b>10,150,050</b>
1.1 Interest on loans	V-IV-1	26,235,791	9,161,483	19,874,130	7,863,506
1.2 Interest received from reserve deposits		280,207	75,774	274,509	105,116
1.3 Interest received from banks	V-IV-1	263,161	84,802	240,082	110,395
1.4 Interest received from money market transactions		2,881	919	19,334	373
1.5 Interest received from marketable securities portfolio	V-IV-1	5,166,044	1,736,787	3,616,604	2,007,278
1.5.1 Financial assets at fair value through profit or loss		59,083	17,506	11,823	5,839
1.5.2 Financial assets at fair value through other comprehensive income		1,585,643	594,788	665,601	338,279
1.5.3 Financial assets measured at amortised cost		3,521,318	1,124,493	2,939,180	1,663,160
1.6 Finance lease interest income		174,586	58,703	141,477	59,665
1.7 Other interest income		28,665	3,902	17,813	3,717
<b>II. INTEREST EXPENSES</b>		<b>23,147,053</b>	<b>7,610,579</b>	<b>15,563,301</b>	<b>6,613,351</b>
2.1 Interest on deposits	V-IV-2	14,181,253	5,005,995	10,226,291	4,309,080
2.2 Interest on funds borrowed	V-IV-2	1,360,706	425,870	1,166,278	535,745
2.3 Interest on money market transactions		4,391,095	1,032,149	2,148,348	950,891
2.4 Interest on securities issued	V-IV-2	3,059,046	1,101,436	1,995,226	811,035
2.5 Leasing interest income		117,139	40,664	-	-
2.6 Other interest expenses		37,814	4,465	27,158	6,600
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>9,004,282</b>	<b>3,511,791</b>	<b>8,620,648</b>	<b>3,536,699</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>2,717,627</b>	<b>892,553</b>	<b>1,449,439</b>	<b>566,314</b>
4.1 Fees and commissions received		3,532,886	1,165,358	2,112,298	834,197
4.1.1 Non-cash loans		529,468	180,599	324,039	129,205
4.1.2 Other		3,003,418	984,759	1,788,259	704,992
4.2 Fees and commissions paid (-)		815,259	272,805	662,859	267,883
4.2.1 Non-cash loans		3,291	545	4,837	2,063
4.2.2 Other		811,968	272,260	658,022	265,820
<b>V. DIVIDEND INCOME</b>		<b>8,546</b>	<b>114</b>	<b>48,618</b>	<b>138</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>V-IV-3</b>	<b>(1,981,358)</b>	<b>(917,484)</b>	<b>686,966</b>	<b>334,025</b>
6.1 Profit/losses from capital market transactions	V-IV-3	254,010	132,869	143,345	85,073
6.2 Profit/losses from derivative financial transactions	V-IV-3	(2,678,886)	(1,185,987)	482,008	243,113
6.3 Foreign exchange profit/losses	V-IV-3	443,518	135,634	61,613	5,839
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-4</b>	<b>5,054,146</b>	<b>1,575,114</b>	<b>2,619,238</b>	<b>888,532</b>
<b>VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>14,803,243</b>	<b>5,062,088</b>	<b>13,424,909</b>	<b>5,325,708</b>
<b>IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>V-IV-5</b>	<b>5,930,368</b>	<b>1,959,794</b>	<b>4,033,003</b>	<b>2,219,183</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>V-IV-5</b>	<b>41,121</b>	<b>(13,122)</b>	<b>32,590</b>	<b>13,502</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>2,309,275</b>	<b>825,450</b>	<b>1,793,204</b>	<b>619,445</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-6</b>	<b>3,843,413</b>	<b>1,167,967</b>	<b>3,500,406</b>	<b>1,210,645</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>2,679,066</b>	<b>1,121,999</b>	<b>4,065,706</b>	<b>1,262,933</b>
<b>XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>48,196</b>	<b>15,774</b>	<b>38,541</b>	<b>9,544</b>
<b>XVI. NET MONETARY POSITION GAIN/LOSS PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>V-IV-7</b>	<b>2,727,262</b>	<b>1,137,773</b>	<b>4,104,247</b>	<b>1,272,477</b>
<b>XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>V-IV-10</b>	<b>(579,091)</b>	<b>(320,604)</b>	<b>(781,101)</b>	<b>(206,211)</b>
18.1 Current tax provision	V-IV-10	(1,313,193)	(864,476)	(132,068)	430,939
18.2 Expense effect of deferred tax (+)	V-IV-10	(989,708)	(269,289)	(1,110,392)	(863,240)
18.3 Income effect of deferred tax (-)	V-IV-10	1,723,810	813,161	461,359	226,090
<b>XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	<b>V-IV-9</b>	<b>2,148,171</b>	<b>817,169</b>	<b>3,323,146</b>	<b>1,066,266</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
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		-	-	-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-	-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1 Current tax provision		-	-	-	-
23.2 Expense effect of deferred tax (+)		-	-	-	-
23.3 Income effect of deferred tax (-)		-	-	-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-	-	-
<b>XXV. NET PROFIT/LOSSES (XIX+XXIV)</b>	<b>V-IV-11</b>	<b>2,148,171</b>	<b>817,169</b>	<b>3,323,146</b>	<b>1,066,266</b>
25.1 Group's profit/(loss)		2,020,109	753,924	3,268,390	1,038,928
25.2 Minority shares (-)		128,062	63,245	54,756	27,338
Profit/Loss per 100 shares (full TL)	III-XXIV	0.8080	0.3015	1.3074	0.4156

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  
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

	Reviewed Current Period January 1, 2019- September 30, 2019	Reviewed Prior Period January 1, 2018- September 30, 2018
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I. PROFIT (LOSS)</b>	<b>2,148,171</b>	<b>3,323,146</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>826,086</b>	<b>(44,394)</b>
<b>2.1. Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(98,734)</b>	<b>376,473</b>
2.1.1. Gains (Losses) on Revaluation of Property, Plant and Equipment	14,285	52,009
2.1.2. Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3. Gains (losses) on remeasurements of defined benefit plans	(1,708)	(2,070)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(115,043)	378,084
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	3,732	(51,550)
<b>2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>924,820</b>	<b>(420,867)</b>
2.2.1. Exchange Differences on Translation	79,613	164,125
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	898,576	(518,514)
2.2.3. Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4. Income (Loss) Related with Hedges of Net Investments in Foreign Operations	<b>93,967</b>	<b>(164,125)</b>
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	(147,336)	97,647
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>2,974,257</b>	<b>3,278,752</b>

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

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

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
Reviewed	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity
<b>Current Period September 30, 2019</b>																	
<b>I. Prior Period End Balance</b>		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
<b>II. Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		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		-	-	-	-	32,389	(1,843)	(111,290)	79,613	751,818	93,967	-	-	2,020,109	2,864,763	109,494	2,974,257
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	3,589	-	(43,407)	-	-	-	-	-	-	(492,423)	450,030	-	(82,211)	6,936	(75,275)
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	5,736,944	(5,736,944)	-	-	-	-
11.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,736,944	(5,736,944)	-	-	-	-
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance (I+II+...X+XI)</b>		2,500,000	727,865	-	48,026	1,250,521	(43,200)	330,439	386,955	634,049	(8,325)	23,490,402	(190,210)	2,020,109	31,146,631	858,104	32,004,735

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

Reviewed	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	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		
						1	2	3	4							5	6
<b>Prior Period September 30, 2018</b>																	
I.	Prior Period End Balance	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	(121,160)	-	14,805,097	3,881,265	-	22,943,968	677,103	23,621,071
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
III.	Adjusted Beginning Balance (I+II)	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	40,476	-	14,805,097	4,387,867	-	23,612,206	677,103	24,289,309
IV.	Total Comprehensive Income	-	-	-	-	15,429	(1,247)	365,689	164,125	(427,066)	(164,125)	-	-	3,268,390	3,221,195	57,557	3,278,752
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	(29,172)	-	(29,172)	3,002	(26,170)
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	3,776,362	(3,776,362)	-	-	-
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	3,776,362	(3,776,362)	-	-	-
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance (I+II+...X+XI)</b>		<b>2,500,000</b>	<b>724,269</b>	<b>-</b>	<b>80,404</b>	<b>1,062,385</b>	<b>(30,251)</b>	<b>421,830</b>	<b>164,125</b>	<b>(386,590)</b>	<b>(164,125)</b>	<b>18,581,459</b>	<b>582,333</b>	<b>3,268,390</b>	<b>26,804,229</b>	<b>737,662</b>	<b>27,541,891</b>

1. Property & Equipment Revaluation Increase/Decrease
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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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

	Notes	Reviewed Current Period September 30, 2019	Reviewed Prior Period September 30, 2018
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities (+)</b>	<b>4,074,678</b>	<b>4,850,112</b>
1.1.1	Interest received (+)	28,848,127	19,626,530
1.1.2	Interest paid (-)	(22,779,235)	(14,215,802)
1.1.3	Dividends received (+)	7,923	13,223
1.1.4	Fees and commissions received (+)	3,532,886	2,182,392
1.1.5	Other income (+)	1,071,669	1,013,884
1.1.6	Collections from previously written off loans and other receivables (+)	1,735,937	2,022,089
1.1.7	Cash payments to personnel and service suppliers (-)	(2,498,731)	(2,011,509)
1.1.8	Taxes paid (-)	(1,723,457)	(1,261,761)
1.1.9	Other (+/-)	(4,120,441)	(2,518,934)
<b>1.2</b>	<b>Changes in operating assets and liabilities subject to banking operations</b>	<b>2,576,225</b>	<b>125,627</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)	(205,576)	41,568
1.2.2	Net decrease (increase) in due from banks (+/-)	(87,682)	(5,009,562)
1.2.3	Net decrease (increase) in loans	(36,717,269)	(53,152,254)
1.2.4	Net decrease (increase) in other assets (+/-)	39,567	(123,405)
1.2.5	Net increase (decrease) in bank deposits (+/-)	2,919,515	(1,875,748)
1.2.6	Net increase (decrease) in other deposits (+/-)	46,645,348	37,127,494
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 (+/-)	(3,261,760)	20,634,565
1.2.9	Net increase (decrease) in matured payables (+/-)	-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(6,755,918)	2,482,969
<b>I.</b>	<b>Net cash provided from banking operations(+/-)</b>	<b>6,650,903</b>	<b>4,975,739</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from investing activities(+/-)</b>	<b>(13,275,273)</b>	<b>(13,702,385)</b>
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	(181,576)	(20,876)
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	220	-
2.3	Cash paid for the purchase of tangible and intangible asset (-)	(1,229,410)	(364,604)
2.4	Cash obtained from the sale of tangible and intangible asset (+)	223,900	465,639
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)	(13,740,412)	(6,304,313)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)	7,376,710	2,602,318
2.7	Cash paid for the purchase of financial assets at amortised cost (-)	(6,306,183)	(10,846,180)
2.8	Cash obtained from sale of financial assets at amortised cost (+)	812,410	808,254
2.9	Other (+/-)	(230,932)	(42,623)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash flows from financing activities (+/-)</b>	<b>9,370,093</b>	<b>16,633,200</b>
3.1	Cash obtained from funds borrowed and securities issued (+)	25,192,307	26,060,041
3.2	Cash outflow from funds borrowed and securities issued (-)	(15,560,043)	(9,301,841)
3.3	Equity instruments issued (+)	-	-
3.4	Dividends paid (-)	-	(125,000)
3.5	Payments for finance lease liabilities (-)	(262,171)	-
3.6	Other (+/-)	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(13,682)</b>	<b>(151,014)</b>
<b>V.</b>	<b>Net increase/decrease in cash and cash equivalents (I+II+III+IV)</b>	<b>2,732,041</b>	<b>7,755,540</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period (+)</b>	<b>21,379,500</b>	<b>20,110,705</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period (V+VI)</b>	<b>24,111,541</b>	<b>27,866,245</b>

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

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

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

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

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**SECTION THREE  
ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, Turkey Accounting Standard 34 ("TAS 34") and Interim Financial Reporting Standard and Turkish Financial Reporting Standards ("TFRS") enforced by Public Oversight, Accounting and Auditing Standards Authority ("POA") and related appendices and interpretations (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published. The Bank maintains its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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

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

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

**Additional paragraph for convenience translation to English**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

**Strategy for the use of financial instruments**

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

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

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

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

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

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

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

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

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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.

Exchange differences arising on amortized cost of financial assets at fair value through profit or loss are recognized in the income statement. Exchange differences arising on unrealized gains and losses are recognized in other comprehensive income or expense in profit or loss.

The Parent Bank's foreign currency difference that occurred due to EUR 67.5 million of EUR 94.5 million represented in the paid-in capital of its foreign subsidiary VakıfBank International AG as of September 30, 2016 reporting period, Group started the fair value risk hedging strategy in order to avoid currency risk due to the share of VakıfBank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Parent Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the other accumulated comprehensive income that will be reclassified in profit or loss in equity as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at September 30, 2019 is TL 8,325. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of September 30, 2019, it was identified that the evaluations that were made about the process to protect from the net investment hedge were effective. Efficiency testing, which is consistent with the Parent Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

**ACCOUNTING POLICIES (Continued)**

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

*Consolidated subsidiaries*

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

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

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

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

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

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

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

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

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

Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7<sup>th</sup> and 9<sup>th</sup> articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at September 30, 2019 and December 31, 2018 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.



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EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

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

**ACCOUNTING POLICIES (Continued)**

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

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 September 30, 2019 and December 31, 2018, but its equity until the merger date has been included in the accompanying consolidated financial statements.

***Investments in associates consolidated per equity method***

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

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

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

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

**IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS**

The derivative transactions mainly consist of currency and interest rate swaps, precious metals swaps, foreign currency forward contracts and currency options. The Parent Bank has classified its derivative transactions, mentioned above, as "Derivative Financial Assets at Fair Value Through Profit or Loss" in accordance with the "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 September 30, 2019, 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**

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

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

**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 profit or loss 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 way 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 "TFRS 9 Financial Instruments" (TFRS 9). Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts.

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

**Loans**

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

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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 approximate rate over the net amounts with an approximate value.

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)**

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

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

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

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

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

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

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

**Staging**

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

**Stage 1:**

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

**Stage 2:**

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

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)**

Stage 3:

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

**Significant Increase in Credit Risk**

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

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

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

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

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

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

**Default Definition**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)**

**Write off Policy**

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

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

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

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

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

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

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

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

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

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

**XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

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

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

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

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



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**ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON TANGIBLE ASSETS**

The costs of the tangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of December 31, 2004 are considered as their historical costs. Tangible assets purchased after January 1, 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The Group decided to pursue the properties for use according to their fair values in terms of separating the land and buildings within the context of TAS 16 "Turkish Accounting Standard on Property, Plant and Equipment" after the change in the accounting policy as of September 30, 2015.

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

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

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

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

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

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

**XIV. INFORMATION ON LEASING ACTIVITIES**

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS**

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

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

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

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

**Reserve for employee termination benefits**

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at September 30, 2019 is TL 6,380 (full TL) (December 31, 2018: TL 5,434 (full TL)).

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

**Other benefits to employees**

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

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

**Pension fund**

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

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.

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**ACCOUNTING POLICIES (Continued)**

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

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and the Social Security Law no. 5754 (“the Law”) has been approved on April 17, 2008. The Law is enacted by the approval of the President of Turkey and issued on the May 8, 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no. 20 of the Article no. 73 of the Law;

The discounted liability for each fund in terms of the persons transferred as at the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

- a) The technical interest rate to be used for the actuarial calculation is 9.80%.
- b) Income and expenditures in respect to fund’s insurance division are considered in the calculation of discounted liability.

Law requires the transfer to be completed in three years beginning from January 1, 2008. The three year period has expired on May 8, 2011; however, it has been extended to May 8, 2013 with the decision of Council of Ministers published in Official Gazette dated April 9, 2011. Before the expiration date, with the decision of Council of Ministers published in Official Gazette dated May 3, 2013, the period for transferring banks, insurance and reinsurance firms, board of trade, exchanges or participants, monthly salary paid individuals and beneficiaries of the funds that are constructed for their personnel to Social Security Institution in the scope of the temporary article no. 20 of the Social Security Law no. 506 published in Official Gazette dated April 30, 2014 extended for one year. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 numbered 29335. “Council of Ministers” expression in “Council of Ministers is authorized to determine the date of transfer to the Social Security Institution” stated in provisional article 20 of Social Insurance and Universal Health Insurance Law No. 5510 is replaced with the “President” pursuant to the paragraph (I) of Article 203 of Statutory Decree No. 703 promulgated in repeated Official Gazette No. 30473, dated 09 July 2018.

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

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report regarding December 31, 2018 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at September 30, 2019.

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

Corporate tax rate is 20% in Turkey according to Article 32 of the Corporate Taxes Law No. 5520. However, the mentioned ratio will be applied as 22% for a period of three years between 2018-2020, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated December 5, 2017. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

75% of the profit from sales of associate shares that held at least 2 years and 50% of the profit from sales of real estates are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for 5 years on a special fund account. The Parent Bank follows these profits in "Other accumulated comprehensive income that will not be reclassified in profit or loss" under the equity.

50% revenue of the sales from the firms that follows up for their debts and their guarantors' and mortgagor' properties, associate shares, founder shares, redeemed shares and privileges are exceptional from the corporate taxes.

Advance tax that is calculated with the current rate through profit from quarterly period has to be declared on the 14th day and paid until the 17th night of the second following month after the period end. Advance taxes paid during the year are set off on corporate tax which is calculated in yearly corporate tax return for that year. In the case of excess amount of advance tax, the amount can be reimbursed in cash or be set off to other financial debts.

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

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

**Corporation tax legislation for the foreign branches**

***Bahrain (Manama)***

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

***North Iraq (Erbil)***

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

***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 September 30, 2019, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 182,977 (December 31, 2018: TL 168,116).

**XXIII. INFORMATION ON SEGMENT REPORTING**

An operating segment is a component of an entity:

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

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS**

**Earnings per shares**

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

As at and for the nine-month period ended September 30, 2019, earnings per 100 shares are full TL 0.8080 (September 30, 2018: full TL 1.3074).

**Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to TAS 24 - Related Party Disclosures Standard. Transactions made with related parties are disclosed in Section 5 Note VII.

**Insurance operations**

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

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

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

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

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

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

**Individual pension business**

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

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

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

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



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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

**Classifications**

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

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

**Explanations on TFRS 16 Standard**

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

The 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 January 1, 2019 and September 30, 2019 are presented below.

	<b>January 1, 2019</b>		
	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Lease payables	1,245,219	33,559	1,278,778
Deferred rental expenses	476,495	7,471	483,966
Right of use assets	768,724	26,088	794,812
	<b>September 30, 2019</b>		
	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Lease payables	1,324,415	37,315	1,361,730
Deferred rental expenses	510,912	4,564	515,476
Lease payables ( Net )	813,503	32,751	846,254
Right of use assets	811,052	28,810	839,862

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

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

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**SECTION FOUR**

**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT**

**I. INFORMATION ON CONSOLIDATED EQUITY ITEMS**

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

As of September 30, 2019 Group's equity amount TL 50,064,150 (31 December 2018: TL 41,522,442) and capital adequacy ratio is 16.84% (December 31, 2018: 16.47%).

**Information about the consolidated shareholder equity items**

<b>Current Period - September 30, 2019</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	727,865	
Reserves	23,490,402	
Income recognized under equity in accordance with TAS	2,763,546	
Profit	1,829,899	
Current Period's Profit	2,020,109	
Prior Period's Profit	(190,210)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	48,026	
Minority shares	845,084	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>32,204,822</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	213,107	-
Leasehold Improvements on Operational Leases	201,241	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	289,507	289,507
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	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>703,855</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>31,500,967</b>	
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	9,307,010	-
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)	-	-
<b>Additional Tier 1 Capital before deductions</b>	<b>9,307,010</b>	
<b>Deductions from Additional Tier 1 Capital</b>		
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	-	-
<b>Other Items Determined by BRSA</b>	<b>-</b>	<b>-</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

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(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)**

<b>Current Period- September 30, 2019</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	-
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 (-)	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 Capital (AT1)</b>	9,307,010	-
<b>Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)</b>	<b>40,807,977</b>	-
<b>TIER 2 CAPITAL</b>	-	-
Bank's borrowing instruments and related issuance premium	5,839,398	-
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)	13,020	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,409,826	-
<b>Tier 2 Capital Before Deductions</b>	<b>9,262,244</b>	-
<b>Deductions From Tier 2 Capital</b>	-	-
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 (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>9,262,244</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>50,070,221</b>	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	-	-
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 (-)	6,071	-
Other items to be defined by the BRSA (-)	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-
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	-	-
<b>TOTAL CAPITAL</b>	-	-
Total Capital	50,064,150	-
Total Risk Weighted Amounts	297,579,531	-
<b>CAPITAL ADEQUACY RATIOS</b>	-	-
Consolidated Core Capital Adequacy Ratio (%)	10.59	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.71	-
Consolidated Capital Adequacy Ratio (%)	16.82	-
<b>BUFFERS</b>	-	-
Total buffer requirement (a+b+c)	3.517	-
a) Capital conservation buffer requirement (%)	2.500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.017	-
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 (%)	6.09	-
<b>Amounts below deduction thresholds</b>	-	-
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)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	4,008,433	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,409,826	-
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>	-	-
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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(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)**

<b>Prior Period - December 31, 2018</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	724,276	
Reserves	18,450,931	
Income recognized under equity in accordance with TAS	1,676,770	
Profit	5,096,704	
Current Period's Profit	4,544,278	
Prior Period's Profit	552,426	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	91,433	
Minority shares	739,167	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>29,279,281</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	176,035	-
Leasehold Improvements on Operational Leases	218,704	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	286,511	286,511
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>681,250</b>	-
<b>Common Equity Tier 1 capital (CET1)</b>	<b>28,598,031</b>	-
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	4,993,575	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
<b>Additional Tier 1 Capital before deductions</b>	<b>4,993,575</b>	-
<b>Deductions from Additional Tier 1 Capital</b>		
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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(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)**

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Prior Period- December 31, 2018</b>		
<b>Transition from the Core Capital to Continue to deduce Components</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	<b>4,993,575</b>	-
<b>Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)</b>	<b>33,591,606</b>	-
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium	5,010,017	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	2,507	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,919,756	-
<b>Tier 2 Capital Before Deductions</b>	<b>7,932,280</b>	-
<b>Deductions From Tier 2 Capital</b>		
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 (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	<b>7,932,280</b>	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>41,523,886</b>	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
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 (-)	-	-
Other items to be defined by the BRSA (-)	1,444	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	41,522,442	-
Total Risk Weighted Amounts	252,126,397	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	11.34	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.32	-
Consolidated Capital Adequacy Ratio (%)	16.47	-
<b>BUFFERS</b>		
Total buffer requirement (a+b+c)	2.644	-
a) Capital conservation buffer requirement (%)	1.875	-
b) Bank specific counter-cyclical buffer requirement (%)	0.019	-
c) Systemically important banks buffer requirement (%)**	0.75	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.84	-
<b>Amounts below deduction thresholds</b>		
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)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandandtwentyfive limitation)	3,126,095	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,919,756	-
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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  
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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)**

**I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)**

**Summary information related to capital adequacy ratio**

Current Period - September 30, 2019

Issuer	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	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 Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
<b>Regulatory treatment</b>							
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	2,815	1,286	525	4,994	4,313	725
Par value of instrument (in million)	3,521	2,824	1,286	525	4,994	4,313	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346001- 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.

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

**I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)**

<b>Coupons / dividends</b>							
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
<b>Convertible or non-convertible</b>							
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
<b>Write-down feature</b>							
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  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED**

**FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019**

(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)**

**Prior Period - December 31, 2018**

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



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

**II. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)**

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL 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)**

**I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)**

**Reconciliation of capital items to balance sheet:**

	<b>Current Period September 30, 2019</b>	<b>Prior Period December 31, 2018</b>
Shareholders’ equity	32,004,735	29,105,753
Leasehold improvements on operational leases	(201,241)	(218,704)
Goodwill and intangible assets	(289,507)	(286,511)
General provision (1.25% of the amount that subject to credit risk)	3,409,826	2,919,756
Subordinated debt	15,146,408	10,003,592
Deductions from shareholders’ equity	(6,071)	(1,444)
<b>Capital</b>	<b>50,064,150</b>	<b>41,522,442</b>

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

**Foreign exchange risk management policy**

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

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

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

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	<b>5.6481</b>	<b>6.1621</b>
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	5.6593	6.1903
Day 2	5.6641	6.2044
Day 3	5.6931	6.2441
Day 4	5.6980	6.2714
Day 5	5.7356	6.3060
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	<b>5.7262</b>	<b>6.3182</b>

**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)**

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

**Information on currency risk**

<b>Current Period- September 30, 2019</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	12,755,081	11,403,580	3,600,804	27,759,465
Banks	2,254,635	2,463,165	1,031,696	5,749,496
Financial assets at fair value through profit or loss	-	104,844	-	104,844
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,482,703	2,175,516	-	6,658,219
Loans <sup>(1)(2)</sup>	43,892,819	47,758,122	104,344	91,755,285
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	4,860,532	7,195,427	-	12,055,959
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,075	9,894	-	10,969
Intangible assets	295	-	-	295
Other assets <sup>(3)</sup>	2,878,189	4,507,866	2,207	7,388,262
<b>Total assets</b>	<b>71,125,332</b>	<b>75,618,414</b>	<b>4,739,051</b>	<b>151,482,797</b>
<i>Liabilities:</i>				
Bank deposits	2,326,071	4,167,820	508,161	7,002,052
Foreign currency deposits	40,131,508	46,891,547	5,158,433	92,181,488
Interbank money market takings	1,834,786	2,966,242	-	4,801,028
Other funding	17,467,758	22,163,843	8,002	39,639,603
Securities issued <sup>(4)</sup>	7,510,571	21,124,731	-	28,635,302
Miscellaneous payables	1,082,190	167,899	362	1,250,451
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(5)</sup>	524,167	2,463,397	3,844	2,991,408
<b>Total liabilities</b>	<b>70,877,051</b>	<b>99,945,479</b>	<b>5,678,802</b>	<b>176,501,332</b>
<b>Net ‘on balance sheet’ position</b>	<b>248,281</b>	<b>(24,327,065)</b>	<b>(939,751)</b>	<b>(25,018,535)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>1,691,978</b>	<b>24,808,232</b>	<b>954,333</b>	<b>27,454,543</b>
Derivative assets <sup>(6)</sup>	15,314,213	31,200,681	1,691,576	48,206,470
Derivative liabilities <sup>(6)</sup>	13,622,235	6,392,449	737,243	20,751,927
Non-cash loans <sup>(7)</sup>	15,701,344	16,782,972	431,412	32,915,728
<b>Prior Period - December 31, 2018</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	62,455,615	73,341,619	5,752,290	141,549,524
Total liabilities	60,799,734	82,130,493	3,894,501	146,824,728
Net ‘on balance sheet’ position	1,655,881	(8,788,874)	1,857,789	(5,275,204)
Net ‘off-balance sheet’ position	(1,126,627)	10,790,769	(1,848,448)	7,815,694
Derivative assets <sup>(6)</sup>	12,125,172	36,297,298	1,775,373	50,197,843
Derivative liabilities <sup>(6)</sup>	13,251,799	25,506,529	3,623,821	42,382,149
Non-cash loans <sup>(7)</sup>	11,249,674	16,729,404	423,623	28,402,701

<sup>(1)</sup> Foreign currency indexed loans amounting to TL 1,907,068 (December 31, 2018: TL 2,798,062) which are presented in TL column in the balance sheet are included in the table above.

<sup>(2)</sup> Foreign currency indexed factoring receivables amounted to TL 160,338 (December 31, 2018: TL 64,047) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(3)</sup> Prepaid expenses amounting to TL 137,652 (December 31, 2018: TL 147,130) and derivative financial assets resulting from currency exchange rate rediscounts amounting to TL 194,618 (December 31, 2018: TL 65,978) are not included.

<sup>(4)</sup> Subordinated loans are shown under securities issued.

<sup>(5)</sup> Unearned revenues amounting to TL 203,751 (December 31, 2018: TL 276,692) , deferred tax liability amounting to TL 37,096 (December 31, 2018: TL 681 ) currency-induced rediscounts arising from derivatives transactions amounting to TL 111,186 (December 31, 2018: 103,841) TL and equities amounting to TL 826,178 (December 31, 2018: TL 572,000) are not included.

<sup>(6)</sup> Asset purchase commitments amounting to TL 1,600,235 (December 31, 2018: TL 795,287) and asset sales commitments amounting to TL 3,873,668 (December 31, 2018: TL 1,457,340) are included.

<sup>(7)</sup> 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 nine-month period ended September 30, 2019 and 2018 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	<b>Current Period- September 30, 2019</b>		<b>Prior Period- September 30, 2018</b>	
	<b>Profit or loss</b>	<b>Equity <sup>(*)</sup></b>	<b>Profit or loss</b>	<b>Equity <sup>(*)</sup></b>
US Dollar	47,127	47,127	205,905	205,905
Euro	193,889	286,051	105,456	176,609
Other currencies	1,458	1,458	885	885
<b>Total, net <sup>(**)</sup></b>	<b>242,474</b>	<b>334,636</b>	<b>312,246</b>	<b>383,399</b>

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

<sup>(\*\*)</sup> 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 nine-month period ended September 30, 2019 and 2018 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	<b>Current Period- September 30, 2019</b>		<b>Prior Period- September 30, 2018</b>	
	<b>Profit or loss</b>	<b>Equity <sup>(*)</sup></b>	<b>Profit or loss</b>	<b>Equity <sup>(*)</sup></b>
US Dollar	(47,127)	(47,127)	(205,905)	(205,905)
Euro	(193,889)	(286,051)	(105,456)	(176,609)
Other currencies	(1,458)	(1,458)	(885)	(885)
<b>Total, net <sup>(**)</sup></b>	<b>(242,474)</b>	<b>(334,636)</b>	<b>(312,246)</b>	<b>(383,399)</b>

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

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

<b>Current Period- September 30, 2019</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	1,305,666	-	-	-	-	29,648,389	30,954,055
Banks	708,241	1,147,213	16,649	314,430	-	4,454,647	6,641,180
Financial assets at fair value through profit/loss	124,158	134,543	4,239	2,183	7,450	191,874	464,447
Interbank money market placements	14,506	-	-	-	-	-	14,506
Financial assets at fair value through other comprehensive income	294,489	3,181,428	6,498,344	5,261,699	4,732,894	132,686	20,101,540
Loans (*)	80,475,576	46,261,295	67,568,416	46,336,255	25,187,563	14,722,998	280,552,103
Financial assets measured at amortized cost	4,440,891	7,331,392	15,482,865	13,030,922	6,063,166	-	46,349,236
Other assets (**)	610,579	779,082	154,065	2,146,950	842,027	9,299,483	13,832,186
<b>Total assets</b>	<b>87,974,106</b>	<b>58,834,953</b>	<b>89,724,578</b>	<b>67,092,439</b>	<b>36,833,100</b>	<b>58,450,077</b>	<b>398,909,253</b>
<i>Liabilities:</i>							
Bank deposits	7,317,749	1,524,147	93,521	-	-	1,038,167	9,973,584
Other deposits	125,144,380	34,413,719	15,611,905	1,622,176	34,724	45,206,559	222,033,463
Interbank money market takings	19,569,749	299,724	1,478,457	687,189	-	-	22,035,119
Miscellaneous payables	-	-	-	-	-	8,736,601	8,736,601
Securities issued (***)	2,198,084	1,948,550	4,553,790	29,812,385	7,497,145	-	46,009,954
Funds borrowed	1,228,614	26,319,845	8,098,564	3,499,113	1,350,815	857,405	41,354,356
Other liabilities (****)	1,301,864	2,053,569	1,562,657	2,180,776	1,100,241	40,567,069	48,766,176
<b>Total liabilities</b>	<b>156,760,440</b>	<b>66,559,554</b>	<b>31,398,894</b>	<b>37,801,639</b>	<b>9,982,925</b>	<b>96,405,801</b>	<b>398,909,253</b>
On balance sheet long position	-	-	58,325,684	29,290,800	26,850,175	-	114,466,659
On balance sheet short position	(68,786,334)	(7,724,601)	-	-	-	(37,955,724)	(114,466,659)
Off-balance sheet long position	2,214,445	5,718,335	-	-	-	-	7,932,780
Off-balance sheet short position	-	-	(3,398,528)	(297,986)	(318,285)	-	(4,014,799)
<b>Net position</b>	<b>(66,571,889)</b>	<b>(2,006,266)</b>	<b>54,927,156</b>	<b>28,992,814</b>	<b>26,531,890</b>	<b>(37,955,724)</b>	<b>3,917,981</b>

(\*) 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)**

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

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

<sup>(\*)</sup> Non-performing loans are shown in the “Non-Interest Bearing” column.

<sup>(\*\*)</sup> Subsidiaries, associates and tangible and intangible assets, deferred tax and expected credit losses are included in “non-interest bearing” column.

<sup>(\*\*\*)</sup> Subordinated debts are shown under securities issued.

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

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

**Average interest rates applied to monetary financial instruments <sup>(\*)</sup>:**

<b>Current Period- September 30, 2019</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	15.00
Banks	1.81	2.25	-	17.11
Financial assets at fair value through profit/loss	-	11.82	-	20.30
Interbank money market placements	-	-	-	16.30
Financial assets at fair value through other comprehensive income	4.23	6.93	-	16.79
Loans	5.45	7.92	-	19.41
Financial assets measured at amortized cost	4.62	6.89	-	13.00
<i>Liabilities:</i>				
Bank deposits	0.76	3.44	-	15.66
Other deposits	0.87	2.71	-	14.74
Interbank money market takings	0.87	3.15	-	16.05
Miscellaneous payables	-	-	-	-
Securities issued <sup>(**)</sup>	4.04	6.14	-	13.81
Funds borrowed	2.41	4.44	-	6.62
<hr/>				
<b>Prior Period - December 31, 2018</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	2.00	-	13.00
Banks	1.57	2.70	-	23.75
Financial assets at fair value through profit/loss	-	11.82	-	19.55
Interbank money market placements	-	-	-	24.28
Financial assets at fair value through other comprehensive income	1.90	6.69	-	16.41
Loans	5.51	8.04	-	21.07
Financial assets measured at amortized cost	5.05	6.62	-	16.49
<i>Liabilities:</i>				
Bank deposits	1.75	4.03	-	23.50
Other deposits	2.23	4.45	-	19.90
Interbank money market takings	1.00	3.43	-	23.68
Miscellaneous payables	-	-	-	-
Securities issued <sup>(**)</sup>	2.93	6.36	-	16.00
Funds borrowed	1.94	4.67	-	17.77

<sup>(\*)</sup> The rates above are calculated over financial instruments with interest rates.

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

<b>Current Period- September 30, 2019</b>	<b>Comparison</b>		
<b>Stock Investments</b>	<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value<sup>(*)</sup></b>
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>413,655</b>	<b>413,655</b>	<b>413,655</b>
1.Stocks Investments Group A	412,042	412,042	412,042
2.Stock Investments Group B	1,613	1,613	1,613
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>875,286</b>	<b>809,506</b>	<b>-</b>

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

<sup>(\*\*)</sup> The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies as at December 31, 2018.

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

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

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

	<b>Realized Gain/Loss in Current Period</b>	<b>Revaluation Surplus</b>		<b>Unrealized Gain and Loss</b>	
		<b>Total <sup>(*)</sup></b>	<b>Included in Supplementary Capital</b>	<b>Total <sup>(*)</sup></b>	<b>Included in Supplementary Capital</b>
<b>Portfolio-Current Period - September 30, 2019</b>					
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	436,236	436,236	-	-
<b>4. Total</b>	<b>-</b>	<b>436,236</b>	<b>436,236</b>	<b>-</b>	<b>-</b>

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

Portfolio-Current Period - December 31, 2018	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	438,620	438,620	-	-
<b>4. Total</b>	-	<b>438,620</b>	<b>438,620</b>	-	-

<sup>(\*)</sup> Amounts are presented including the effect of deferred tax.

**Explanations on Equity Shares Risk Arising from Banking Book**

Portfolio-Current Period - September 30, 2019	Carrying Value	Total RWA <sup>(*)</sup>	Minimum Capital Requirement
1. Private Equity Investments	-	-	-
2. Quoted	413,655	413,655	33,092
3. Other Stocks	875,286	875,286	70,023
<b>4. Total</b>	<b>1,288,941</b>	<b>1,288,941</b>	<b>103,115</b>

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

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

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

The Parent Bank makes use of liquidity gap analysis and stress tests in internal measurement of liquidity risk. In the liquidity gap analysis and liquidity stress scenarios, the Bank’s compensation level of net cash outflows which are more likely to happen in short term are presented. Measurements regarding liquidity risk are performed by 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.

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**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	September 2019	127.25	September 2019	449.40
The highest value	August 2019	139.27	August 2019	521.22

**Liquidity Coverage Ratio**

Current Period- September 30, 2019		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			66,327,402	38,799,082
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	115,559,823	52,986,423	10,134,593	5,298,642
3	Stable deposits	28,427,780	-	1,421,389	-
4	Less stable deposits	87,132,043	52,986,423	8,713,204	5,298,642
5	Unsecured wholesale funding, of which:	96,539,201	37,266,385	44,536,313	17,320,041
6	Operational deposits	53,909,094	18,597,435	13,477,273	4,649,359
7	Non-operational deposits	29,498,048	14,805,469	17,976,941	8,856,044
8	Unsecured debt	13,132,059	3,863,481	13,082,099	3,814,638
9	Secured wholesale funding	-	-	-	-
10	Additional requirements of which:	21,931,598	5,912,539	21,931,597	5,912,540
11	Outflows related to derivative exposures and other collateral requirements	21,931,598	5,912,539	21,931,597	5,912,540
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	27,467,147	26,518,447	1,373,357	1,325,922
15	Other contingent funding obligations	79,592,239	17,543,021	7,421,631	1,752,725
16	<b>TOTAL CASH OUTFLOWS</b>	-	-	<b>85,397,491</b>	<b>31,609,870</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	21,147,692	7,778,908	14,621,403	6,089,162
19	Other cash inflows	21,005,561	20,658,785	21,005,561	20,658,785
20	<b>TOTAL CASH INFLOWS</b>	<b>42,153,253</b>	<b>28,437,693</b>	<b>35,626,964</b>	<b>26,747,947</b>
<b>Upper Limit Applied Values</b>					
21	<b>TOTAL HQLA</b>			<b>66,327,402</b>	<b>38,799,082</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>49,770,527</b>	<b>7,902,468</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>133.40</b>	<b>494.33</b>

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

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

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

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

*Liquidity Coverage Ratio*

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

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

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

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

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

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

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

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

<b>Current Period – September 30, 2019</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and over</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBRT	28,732,920	2,221,135	-	-	-	-	-	30,954,055
Banks	4,454,647	708,241	1,147,213	16,649	314,430	-	-	6,641,180
Financial assets at fair value through profit/loss	94,593	33,137	121,514	19,752	20,050	78,120	97,281	464,447
Interbank money market placements	-	14,506	-	-	-	-	-	14,506
Financial assets at fair value through other comprehensive	-	42,694	796,510	3,021,573	9,362,131	6,745,946	132,686	20,101,540
Loans	-	23,769,088	7,803,946	50,061,835	113,566,690	70,627,546	14,722,998	280,552,103
Financial assets measured at amortized cost	-	113,043	1,126,627	4,097,463	26,830,914	14,181,189	-	46,349,236
Other assets (**)	190,866	2,846,821	439,123	331,247	3,151,629	1,096,360	5,776,140	13,832,186
<b>Total assets</b>	<b>33,473,026</b>	<b>29,748,665</b>	<b>11,434,933</b>	<b>57,548,519</b>	<b>153,245,844</b>	<b>92,729,161</b>	<b>20,729,105</b>	<b>398,909,253</b>
<b>Liabilities:</b>								
Bank deposits	1,038,167	7,317,749	1,524,147	93,521	-	-	-	9,973,584
Other deposits	45,910,900	124,573,981	34,413,719	15,477,963	1,622,176	34,724	-	222,033,463
Funds borrowed	-	1,074,567	6,644,269	15,781,337	11,498,198	6,355,985	-	41,354,356
Interbank money market takings	-	19,569,749	299,724	1,478,457	687,189	-	-	22,035,119
Securities issued (***)	-	1,887,318	1,657,292	2,160,164	28,446,050	11,859,130	-	46,009,954
Miscellaneous payables	4,196	6,196,750	24,794	13,996	311,233	-	2,185,632	8,736,601
Other liabilities	88,345	1,090,415	3,911,739	1,525,833	501,411	2,093,892	39,554,541	48,766,176
<b>Total liabilities</b>	<b>47,041,608</b>	<b>161,710,529</b>	<b>48,475,684</b>	<b>36,531,271</b>	<b>43,066,257</b>	<b>20,343,731</b>	<b>41,740,173</b>	<b>398,909,253</b>
<b>Liquidity gap</b>	<b>(13,568,582)</b>	<b>(131,961,864)</b>	<b>(37,040,751)</b>	<b>21,017,248</b>	<b>110,179,587</b>	<b>72,385,430</b>	<b>(21,011,068)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>(434,259)</b>	<b>217,735</b>	<b>12,602</b>	<b>2,219,720</b>	<b>645,879</b>	<b>-</b>	<b>2,661,677</b>
Receivables from Derivative Financial Instruments	-	30,856,753	3,607,334	3,687,344	24,226,939	27,230,343	-	89,608,713
Payables from Derivative Financial Instruments	-	31,291,012	3,389,599	3,674,742	22,007,219	26,584,464	-	86,947,036
Non-cash Loans	<b>39,419,741</b>	<b>2,430,874</b>	<b>4,019,308</b>	<b>15,231,099</b>	<b>7,911,088</b>	<b>1,801,072</b>	<b>336,237</b>	<b>71,149,419</b>

<b>Prior Period – December 31, 2018</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and over</b>	<b>Undistributed (*)</b>	<b>Total</b>
Total assets	31,939,707	29,442,815	10,717,315	46,876,080	122,983,741	80,672,351	22,006,451	344,638,460
Total liabilities	36,813,946	133,090,599	38,824,335	35,796,723	39,635,422	11,437,783	49,039,652	344,638,460
<b>Liquidity gap</b>	<b>(4,874,239)</b>	<b>(103,647,784)</b>	<b>(28,107,020)</b>	<b>11,079,357</b>	<b>83,348,319</b>	<b>69,234,568</b>	<b>(27,033,201)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>(18,521)</b>	<b>106,118</b>	<b>396,112</b>	<b>2,851,166</b>	<b>407,765</b>	<b>-</b>	<b>3,742,640</b>
Receivables from Derivative Financial Instruments	-	10,693,888	1,692,537	4,265,904	24,324,945	16,398,541	-	57,375,815
Payables from Derivative Financial Instruments	-	10,712,409	1,586,419	3,869,792	21,473,779	15,990,776	-	53,633,175
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,713,980	7,067,292	1,137,888	433,979	66,028,997

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

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

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

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**VI. CONSOLIDATED LEVERAGE RATIO**

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as %8.12. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2018: %7.50). The Regulation adjudicated minimum leverage rate as 3%.

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

	<b>Current Period- September 30, 2019</b>	<b>Prior Period- December 31, 2018</b>
Total asset amount in the consolidated financial statements prepared as per TAS <sup>(1)</sup>	344,879,298	318,522,522
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks <sup>(1)</sup>	240,838	152,878
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	(5,805,034)	(4,433,639)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	22,087,741	25,122,669
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	46,101,719	54,283,204
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	(158,740,433)	(125,285,736)
<b>Total risk amount</b>	<b>439,205,818</b>	<b>393,163,314</b>

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

<sup>(2)</sup> The balances in the table represent the average of three months.

**Leverage ratio common disclosure template**

	<b>Current Period - September 30, 2019 <sup>(*)</sup></b>	<b>Prior Period- December 31, 2018 <sup>(*)</sup></b>
<b>On-balance sheet exposures</b>		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	394,003,634	341,611,734
2. Assets deducted in determining Basel III Tier 1 capital	(489,384)	(498,291)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	393,514,250	341,113,443
<b>Derivative exposures</b>		
4. Replacement cost	4,726,468	4,856,647
5. Add-on amount	1,435,818	948,387
6. Total derivative exposures	6,162,286	5,805,034
<b>Securities financing transaction exposures</b>		
7. Gross SFT assets (with no recognition of accounting netting)	3,434,595	4,467,510
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	3,434,595	4,467,510
<b>Other off-balance sheet exposures</b>		
10. Off-balance sheet exposures with gross nominal amount	145,233,769	133,891,351
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(51,691,140)	(46,071,519)
12. Total off-balance sheet exposures	93,542,629	87,819,832
<b>Capital and total exposures</b>		
13. Tier 1 capital	40,332,185	32,931,165
14. Total exposures	496,653,760	439,205,819
<b>Leverage ratio</b>		
15. Leverage ratio	8.12	7.50

<sup>(\*)</sup> Calculated by using three month average of balances in Leverage Rate Notification table.

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**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.

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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:

	Retail Banking	Corporate/ Commercial Banking	Treasury and Investment Operations	Other and Undistributed	Total Operations
<b>Current Period- September 30, 2019</b>					
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	6,367,971	17,191,282	8,563,417	28,665	32,151,335
Interest Expense	7,626,811	6,427,352	9,069,277	23,613	23,147,053
Net Interest Income/Losses(Net)	(1,258,840)	10,763,930	(505,860)	5,052	9,004,282
Net Fees and Commissions Income	726,678	1,732,801	258,148	-	2,717,627
Dividend Income	-	-	8,546	-	8,546
Trading Income/ Losses (Net)	-	-	(1,981,358)	-	(1,981,358)
Other Income	-	-	-	5,054,146	5,054,146
Allowance for Expected Credit Losses	1,084,422	4,524,501	324,779	37,787	5,971,489
Other Expenses	-	-	-	6,152,688	6,152,688
Based on Equity Method	-	-	48,196	-	48,196
<b>Profit Before Taxes</b>	<b>(1,616,584)</b>	<b>7,972,230</b>	<b>(2,497,107)</b>	<b>(1,131,277)</b>	<b>2,727,262</b>
Provision for taxes	-	-	-	-	(579,091)
<b>Net Profit/ Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,148,171</b>
Segment Assets	63,236,716	167,980,920	148,473,416	18,162,649	397,853,701
Subsidiaries and Associates (Net)	-	-	1,055,552	-	1,055,552
<b>TOTAL ASSETS</b>	<b>63,236,716</b>	<b>167,980,920</b>	<b>149,528,968</b>	<b>18,162,649</b>	<b>398,909,253</b>
Segment Liabilities	106,480,554	118,094,462	121,360,846	20,968,656	366,904,518
Equity	-	-	-	32,004,735	32,004,735
<b>TOTAL LIABILITIES</b>	<b>106,480,554</b>	<b>118,094,462</b>	<b>121,360,846</b>	<b>52,973,391</b>	<b>398,909,253</b>
<b>Prior Period</b>					
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	5,151,955	12,662,315	6,351,866	17,813	24,183,949
Interest Expense	5,262,645	4,894,645	5,302,125	103,886	15,563,301
Net Interest Income/Losses(Net)	(110,690)	7,767,670	1,049,741	(86,073)	8,620,648
Net Fees and Commissions Income	491,460	771,437	186,542	-	1,449,439
Dividend Income	-	-	48,618	-	48,618
Trading Income/ Losses (Net)	-	-	686,966	-	686,966
Other Income	-	-	-	2,619,238	2,619,238
Allowance for Expected Credit Losses	360,931	3,700,127	4,535	-	4,065,593
Other Expenses	-	-	-	5,293,610	5,293,610
Based on Equity Method	-	-	38,541	-	38,541
<b>Profit Before Taxes</b>	<b>19,839</b>	<b>4,838,980</b>	<b>2,005,873</b>	<b>(2,760,445)</b>	<b>4,104,247</b>
Provision for taxes	-	-	-	-	(781,101)
<b>Net Profit/ Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,323,146</b>
Segment Assets	51,672,411	129,189,702	146,062,741	16,588,317	343,513,171
Subsidiaries and Associates (Net)	-	-	1,125,289	-	1,125,289
<b>TOTAL ASSETS</b>	<b>51,672,411</b>	<b>129,189,702</b>	<b>147,188,030</b>	<b>16,588,317</b>	<b>344,638,460</b>
Segment Liabilities	92,194,464	86,307,021	116,881,672	20,149,550	315,532,707
Equity	-	-	-	29,105,753	29,105,753
<b>TOTAL LIABILITIES</b>	<b>92,194,464</b>	<b>86,307,021</b>	<b>116,881,672</b>	<b>49,255,303</b>	<b>344,638,460</b>



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**VIII. INFORMATION ON RISK MANAGEMENT**

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

**Risk weighted amounts**

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period- September 30, 2019	Prior Period - December 31, 2018	Current Period- September 30, 2019
<b>1 Credit Risk (excluding counterparty credit risk) <sup>(*)</sup></b>	<b>266,925,109</b>	<b>228,487,742</b>	<b>21,354,009</b>
2 Standardised approach	266,925,109	228,487,742	21,354,009
3 Internal rating based approach	-	-	-
<b>4 Counterparty Credit Risk</b>	<b>5,860,978</b>	<b>5,091,337</b>	<b>468,878</b>
5 Standardised approach for counterparty credit risk	5,860,978	5,091,337	468,878
6 Internal model method	-	-	-
<b>Equity position in banking book under basic risk weighting or</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7 internal rating based</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8 Equity investments in funds - look-through approach</b>	<b>-</b>	<b>1,395</b>	<b>-</b>
<b>9 Equity investments in funds - mandate-based approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10 Equity investments in funds - 1250% weighted risk approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
<b>16 Market risk</b>	<b>3,033,570</b>	<b>1,409,588</b>	<b>242,686</b>
17 Standardised approach	3,033,570	1,409,588	242,686
18 Internal model approaches	-	-	-
<b>19 Operational Risk</b>	<b>21,759,874</b>	<b>17,136,335</b>	<b>1,740,790</b>
20 Basic Indicator Approach	21,759,874	17,136,335	1,740,790
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
<b>The amounts below the thresholds for deduction from capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23 (subject to a 250% risk weight)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24 Floor adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>297,579,531</b>	<b>252,126,397</b>	<b>23,806,363</b>

<sup>(\*)</sup> Except for the amount of the discount threshold under the equity

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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 - September 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Cash	1,357,103	997,162	1,455,938	889,991
Central Bank of the Republic of Turkey (*)	1,486,932	26,587,278	3,393,478	25,750,911
Other	350,555	175,025	616,952	384,187
<b>Total</b>	<b>3,194,590</b>	<b>27,759,465</b>	<b>5,466,368</b>	<b>27,025,089</b>

(\*) TL 9,695,481(December 31, 2018: TL 13,916,246) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

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

The CBRT changed the reserve requirements on August 20, 2019, and the TL reserve requirement ratios and the interest to be paid for the required reserves were correlated with the annual growth rates of the total TL denominated and close-tracked cash loans excluding the foreign currency indexed loans of the banks and the loans extended to banks. Accordingly, TL required reserve ratios for banks with loan growth between 10 percent and 20 percent are deposits / participation funds with maturities of one year and one year (excluding foreign banks deposits / participation funds) and other liabilities with maturities of more than three years (foreign banks). deposit / participation fund). Currently, the 13 percent interest / interest rate applied to required reserves in TL will be considered as 15 percent for banks with loan growth among reference values and 5 percent for other banks.

**Balances with the Central Bank of the Republic of Turkey**

	Current Period - September 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Unrestricted demand deposits	1,235,606	14,670,662	3,278,383	9,268,217
Restricted demand deposits	175,552	-	-	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	2,221,135	-	2,566,448
Reserve Deposits	75,774	9,695,481	115,095	13,916,246
<b>Total</b>	<b>1,486,932</b>	<b>26,587,278</b>	<b>3,393,478</b>	<b>25,750,911</b>

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

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

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	65,100	7,563	13,936	6,040
Other	-	-	-	-
<b>Total</b>	<b>65,100</b>	<b>7,563</b>	<b>13,936</b>	<b>6,040</b>

**Trading securities subject to repurchase agreements**

None.

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

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

*Positive differences on derivative financial assets*

	Current Period - September 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Forward transactions	61,743	3,538	77,316	7,772
Swap transactions	3,275,753	1,065,726	3,953,573	370,502
Futures	-	-	-	-
Options	561	7,870	192	4,028
Other	-	-	-	-
<b>Total</b>	<b>3,338,057</b>	<b>1,077,134</b>	<b>4,031,081</b>	<b>382,302</b>

The 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 30.09.2019, the fair value of such swaps is 15,675 TL with a total outstanding notional amount of 50 million USD. The average maturity of such swaps is 4,5 years.

**3. Information on banks**

	Current Period - September 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Banks				
Domestic	890,651	756,278	562,559	1,476,672
Foreign	1,033	4,993,218	923	4,663,954
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>891,684</b>	<b>5,749,496</b>	<b>563,482</b>	<b>6,140,626</b>

**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 – September 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	615,846	1,143,767	91,730	46,690
Other	-	-	-	-
<b>Total</b>	<b>615,846</b>	<b>1,143,767</b>	<b>91,730</b>	<b>46,690</b>

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

	Current Period - September 30, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Government bonds	876,431	-	2,466,748	-
Treasury bills	-	-	-	-
Other debt securities	-	1,173,155	-	29,545
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>876,431</b>	<b>1,173,155</b>	<b>2,466,748</b>	<b>29,545</b>

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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-September 30, 2019	Prior Period-December 31, 2018
<b>Debt securities</b>	<b>19,992,196</b>	<b>11,045,816</b>
Quoted on a Stock Exchange	19,992,196	11,045,816
Unquoted	-	-
<b>Equity securities</b>	<b>132,687</b>	<b>3,451</b>
Quoted on a Stock Exchange	-	-
Unquoted	132,687	3,451
<b>Provisions for impairment losses (-)</b>	<b>23,343</b>	<b>176,833</b>
<b>Total</b>	<b>20,101,540</b>	<b>10,872,434</b>

4. Information on loans

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

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	<b>84,413</b>	-	<b>44,668</b>
Legal entities	-	84,413	-	44,668
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>295,036</b>	<b>57</b>	<b>173,151</b>	<b>40</b>
<b>Total</b>	<b>295,036</b>	<b>84,470</b>	<b>173,151</b>	<b>44,708</b>

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

Current Period - September 30, 2019

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>229,442,407</b>	<b>15,796,489</b>	<b>995,690</b>	<b>14,534,475</b>
Loans given to enterprises	68,096,643	8,281,784	257,504	12,805,683
Export loans	9,421,902	569,490	-	4,508
Import loans	-	-	-	-
Loans given to financial sector	4,296,883	192	-	-
Consumer loans	50,600,934	972,542	21,510	746,861
Credit cards	9,969,332	258,346	87,248	-
Other	87,056,713	5,714,135	629,428	977,423
<b>Specialized lending</b>	-	-	-	-
<b>Other receivables</b>	<b>4,725,152</b>	<b>334,892</b>	-	-
<b>Total</b>	<b>234,167,559</b>	<b>16,131,381</b>	<b>995,690</b>	<b>14,534,475</b>

All creditors, including the Parent Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi AŞ, 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 Parent Bank participated 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 “Non-current Assets Held for Sale and Discontinued Operations” in the financial statements. As of 30 September 2019, the amount is TL 738,878 (31 December 2018: TL 788,795) and the provision is TL 41,466 (31 December 2018: TL 4,242).

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

**Prior Period - December 31, 2018**

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

**Current Period - September 30, 2019**

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,472,787	-
Significant Increase in Credit Risk	-	2,385,657

**Prior Period – December 31, 2018**

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,636,242	-
Significant Increase in Credit Risk	-	1,326,580

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

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

Current Period - September 30, 2019	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>1,000,881</b>	<b>47,484,368</b>	<b>48,485,249</b>
Housing loans	10,302	21,086,245	21,096,547
Automobile loans	4,449	267,538	271,987
General purpose loans	986,130	26,130,585	27,116,715
Other	-	-	-
<b>Consumer loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	<b>60</b>	<b>4,235</b>	<b>4,295</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	54	1,612	1,666
Other	6	2,623	2,629
<b>Retail credit cards – TL</b>	<b>7,974,036</b>	<b>85,755</b>	<b>8,059,791</b>
With instalment	3,438,023	80,473	3,518,496
Without instalment	4,536,013	5,282	4,541,295
<b>Retail credit cards – FC</b>	<b>20,017</b>	<b>-</b>	<b>20,017</b>
With instalment	-	-	-
Without instalment	20,017	-	20,017
<b>Personnel loans – TL</b>	<b>12,499</b>	<b>184,495</b>	<b>196,994</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	12,499	184,495	196,994
Other	-	-	-
<b>Personnel loans – FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>97,407</b>	<b>214</b>	<b>97,621</b>
With instalment	37,245	160	37,405
Without instalment	60,162	54	60,216
<b>Personnel credit cards – FC</b>	<b>421</b>	<b>-</b>	<b>421</b>
With instalment	-	-	-
Without instalment	421	-	421
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>3,655,020</b>	<b>-</b>	<b>3,655,020</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>289</b>	<b>-</b>	<b>289</b>
<b>Total</b>	<b>12,760,630</b>	<b>47,759,067</b>	<b>60,519,697</b>

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

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

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

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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 - September 30, 2019	Short-Term	Medium and Long-Term	Total
<b>Instalment-based commercial loans – TL</b>	<b>2,199,382</b>	<b>56,292,583</b>	<b>58,491,965</b>
Real estate loans	1,496	897,650	899,146
Automobile loans	72,192	1,458,722	1,530,914
General purpose loans	2,125,694	53,936,211	56,061,905
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>-</b>	<b>919,318</b>	<b>919,318</b>
Real estate loans	-	-	-
Automobile loans	-	69,691	69,691
General purpose loans	-	849,627	849,627
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>359,176</b>	<b>16,733,760</b>	<b>17,092,936</b>
Real estate loans	-	-	-
Automobile loans	-	14,014	14,014
General purpose loans	239,018	14,328,589	14,567,607
Other	120,158	2,391,157	2,511,315
<b>Corporate credit cards – TL</b>	<b>2,130,842</b>	<b>3,090</b>	<b>2,133,932</b>
With instalment	540,140	2,950	543,090
Without instalment	1,590,702	140	1,590,842
<b>Corporate credit cards – FC</b>	<b>3,144</b>	<b>-</b>	<b>3,144</b>
With instalment	-	-	-
Without instalment	3,144	-	3,144
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,379,316</b>	<b>-</b>	<b>1,379,316</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>706</b>	<b>-</b>	<b>706</b>
<b>Total</b>	<b>6,072,566</b>	<b>73,948,751</b>	<b>80,021,317</b>

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



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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<sup>(\*)</sup>

	Current Period - September 30, 2019	Prior Period - December 31, 2018
Domestic loans	263,369,934	227,499,403
Foreign loans	2,459,171	1,251,076
<b>Total</b>	<b>265,829,105</b>	<b>228,750,479</b>

<sup>(\*)</sup> Non-performing loans are not included.

Loans to associates and subsidiaries

	Current Period - September 30, 2019	Prior Period - December 31, 2018
Direct loans to associates and subsidiaries	12,017	85
Indirect loans to associates and subsidiaries	-	-
<b>Total</b>	<b>12,017</b>	<b>85</b>

Specific provisions accounted for loans (Stage 3)

	Current Period - September 30, 2019	Prior Period - December 31, 2018
Loans and receivables with limited collectability	884,500	712,622
Loans and receivables with doubtful collectability	1,088,504	1,161,870
Uncollectible loans and receivables	8,451,308	6,392,272
<b>Total</b>	<b>10,424,312</b>	<b>8,266,764</b>

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
<b>Current period - September 30, 2019</b>			
Gross Amounts Before The Reserves	151,611	334,061	482,847
Loans Which Are Restructured	151,611	334,061	482,847
<b>Prior period - December 31, 2018</b>			
Gross Amounts Before The Reserves	96,659	196,424	228,364
Loans Which Are Restructured	96,659	196,424	228,364

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - September 30, 2019</b>			
<b>Balance at the beginning of the period</b>	<b>1,626,189</b>	<b>2,131,185</b>	<b>7,371,934</b>
Additions (+)	4,551,387	140,154	668,240
Transfers from other categories of loans under follow-up (+)	-	4,506,324	3,140,424
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	3,435,347	4,212,224	31,937
Collections (-)	343,342	648,552	744,043
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	34	2,572
<b>Balance at the end of the period</b>	<b>2,398,887</b>	<b>1,916,921</b>	<b>10,407,190</b>
Provision (-)	884,500	1,088,504	8,451,308
<b>Net balance</b>	<b>1,514,387</b>	<b>828,417</b>	<b>1,955,882</b>

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

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - September 30, 2019</b>			
Balance at the end of the period	1,195,901	122,776	1,353,010
Provision (-)	294,359	64,593	1,057,231
<b>Net balance on balance sheet</b>	<b>901,542</b>	<b>58,183</b>	<b>295,779</b>
<b>Prior Period –December 31,2018</b>			
Balance at the end of the period	274,287	155,259	831,298
Specific provision (-)	134,690	73,129	716,577
<b>Net balance on balance sheet</b>	<b>139,597</b>	<b>82,130</b>	<b>114,721</b>

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - September 30, 2019</b>			
<b>Current Period (Net)</b>	<b>1,514,387</b>	<b>828,417</b>	<b>1,955,882</b>
Consumer and Commercial Loans (Gross)	2,398,861	1,916,842	10,372,540
Specific Provision (-)	884,488	1,088,462	8,416,852
<b>Consumer and Commercial Loans (Net)</b>	<b>1,514,373</b>	<b>828,380</b>	<b>1,955,688</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	26	79	33,099
Specific Provision (-)	12	42	32,905
<b>Other Loans and Receivables (Net)</b>	<b>14</b>	<b>37</b>	<b>194</b>

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period - December 31, 2018</b>			
<b>Prior Period (Net)</b>	<b>913,567</b>	<b>969,315</b>	<b>979,662</b>
Consumer and Commercial Loans (Gross)	1,626,111	2,131,158	7,338,007
Specific Provision (-)	712,576	1,161,855	6,358,552
<b>Consumer and Commercial Loans (Net)</b>	<b>913,535</b>	<b>969,303</b>	<b>979,455</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	78	27	32,376
Specific Provision (-)	46	15	32,169
<b>Other Loans and Receivables (Net)</b>	<b>32</b>	<b>12</b>	<b>207</b>

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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
<b>Current Period (Net) - September 30, 2019</b>			
Interest accruals and valuation differences	155,517	212,138	600,384
Provision (-)	59,842	118,292	384,868
<b>Prior Period (Net) - December 31, 2018</b>			
Interest accruals and valuation differences	166,028	186,428	62,724
Provision (-)	81,121	101,688	39,017

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
Government bonds	34,234,431	6,838,411	32,326,808	4,618,016
Treasury bills	-	-	-	-
Other securities issued by the governments	-	4,923,852	-	2,795,010
<b>Total</b>	<b>34,234,431</b>	<b>11,762,263</b>	<b>32,326,808</b>	<b>7,413,026</b>

Information on financial assets measured at amortized cost

	Current Period - September 30, 2019	Prior Period - December 31, 2018
<b>Debt Securities</b>	<b>46,349,236</b>	<b>39,980,510</b>
<i>Quoted at stock exchanges</i>	46,236,193	39,895,439
<i>Unquoted at stock exchanges</i>	113,043	85,071
<b>Impairment losses (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>46,349,236</b>	<b>39,980,510</b>

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

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

*The movement table of the financial assets measured at amortised cost*

	Current Period – September 30, 2019	Prior Period – December 31, 2018
<b>Balances at the beginning of the period</b>	<b>39,980,510</b>	<b>16,766,071</b>
Foreign currency differences on monetary assets	195,390	1,144,459
Purchases during the period	6,306,183	11,162,210
IFRS 9 Classification (**)	-	7,656,572
Disposals through sales/redemptions	(812,410)	(841,350)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	679,563	4,092,548
<b>Balances at the end of the period</b>	<b>46,349,236</b>	<b>39,980,510</b>

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

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

*Information on accounts related to financial assets measured at amortized cost*

Current Period - September 30, 2019	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	1,504,193	5,334,938	1,833,927	5,429,104
Investments subject to repurchase agreements	13,351,245	4,853,112	16,893,624	4,923,852
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	12,675,771	1,660,100	15,565,726	1,703,003
<b>Total</b>	<b>27,531,209</b>	<b>11,848,150</b>	<b>34,293,277</b>	<b>12,055,959</b>

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Investments in associates

*Unconsolidated investments in associates*

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ <sup>(*)</sup>	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/ Turkey	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ <sup>(*)</sup>	İstanbul/ Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/ Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ <sup>(*)</sup>	İstanbul/ Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ <sup>(*)</sup>	İstanbul/ Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ <sup>(*)</sup>	Ankara/ Turkey	1.49	1.49
8 Türkiye Ürün İhtisas Borsası AŞ	Ankara/ Turkey	3.00	3.00
9 Tasfiye Halinde World Vakıf UBB Ltd.	Lefkoşa/KKTC	82.00	83.50

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	7,279,949	1,549,488	1,235,564	19,798	-	52,038	42,089	3,813,996
2	147,868	93,468	65,949	3,852	-	28,503	15,603	-
3	321,197	213,805	233,553	5,920	-	16,401	23,681	-
4	146,887	(93,164)	88,100	1	-	(17,998)	(30,795)	-
5	136,945	(120,122)	79,136	-	-	(24,956)	(33,251)	-
6	16,280,336	2,014,296	120,941	405,801	9,419	343,800	183,649	-
7	741,430	605,808	20,607	27,171	-	74,723	64,883	-
8	31,297	30,904	1,595	4,297	-	3,511	-	-
9	1,168	(208,831)	-	132	-	(17,039)	(13,070)	-

<sup>(\*)</sup> The financial statement information provided for these associates is taken from the financial statements dated June 30, 2019.

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

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

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

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

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

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Bank, was changed as World Vakıf UBB. Ltd. on February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as “Investments in affiliates”. The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company’s title has been changed as “World Vakıf UBB Ltd in Liquidation”.

In the previous period, it was decided to increase the capital of the Bank's subsidiary Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The Bank's share has reached to TL 177. During the capital increase, due to the participation of new banks, the Bank's share ratio decreased from 1.69% to 1.54%.

***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 are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

***Consolidated investments in associates***

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

	<b>Total Assets</b>	<b>Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Year’s Profit/Loss</b>	<b>Prior Period’s Profit/Loss</b>	<b>Fair Value</b>
1	1,349,536	88,583	7,662	112,522	4,521	907	19,074	-
2	41,053,807	4,897,184	1,037,328	2,538,310	53,577	573,676	382,892	2,648,004

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

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

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

*Movement of consolidated investments in associates*

	Current Period – September 30, 2019	Prior Period - December 31, 2018
<b>Balance at the beginning of the period</b>	<b>196,867</b>	<b>302,959</b>
<b>Movements during the period</b>	<b>35,655</b>	<b>(106,092)</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	33,510
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	35,655	-
Impairment losses	-	(139,602)
<b>Balance at the end of the period</b>	<b>232,522</b>	<b>196,867</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of period (%)</b>	-	-

*Sectoral distribution of consolidated investments and associates*

	Current Period - September 30, 2019	Prior Period - December 31, 2018
Banks	232,522	196,867
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>232,522</b>	<b>196,867</b>

**Quoted associates**

	Current Period - September 30, 2019	Prior Period - December 31, 2018
Quoted at domestic stock exchanges	221,903	186,248
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>221,903</b>	<b>186,248</b>

*Investments in associates disposed during the period*

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

*Subsidiaries purchased in the current period*

In the current 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 29 August 2019. As of 30 September 2019, the 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, the Parent Bank has participated in Türkiye Ürün İhtisas Borsası A.Ş that was established with a capital of TL 100,000. The nominal share of the Parent Bank in the Company is TL 3,000 and its share rate is 3%. The Parent Bank is required to pay one quarter of its shares in cash and the remaining three quarters within 24 months of the Company's registration. Transactions regarding the establishment of the Company were registered in the trade registry on 8 June 2018. As of 30 June 2018, the Parent Bank made a payment amounting to TL 750, corresponding to a quarter of its share.



CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

Current Period - September 30, 2019	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	311,248	175,000	75,000	170,000	540,000	150,000	230,000	20,000
Share Premium	-	5,343	10,017	-	77,567	10,615	268,330	93
Equity share premiums	-	-	-	-	6,922	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-
Other capital reserves	-	5,343	10,017	-	70,645	10,615	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	22,434	(187)	1,809	775,597	62,664	574	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	684,325	-	105,883	-	-	-	-	-
Profit Reserves	11,854	48,050	12,316	69,570	36,425	130,841	130,281	395
Legal Reserves	11,854	10,006	8,601	11,730	17,179	35,055	9,056	395
Statutory reserves	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	38,044	3,715	57,840	19,246	95,786	121,225	-
Other Profit Reserves	-	-	-	-	-	-	-	-
Profit/Loss	17,107	(41,742)	28,285	85,107	(213,217)	443,052	12,179	(1,970)
Prior Period's Profit/Loss	342	(83,464)	2,136	(12,702)	(356,846)	114,124	14,255	(2,906)
Current Period's Profit/Loss	16,765	41,722	26,149	97,809	143,629	328,928	(2,076)	936
Minority Rights	-	3	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>1,024,534</b>	<b>209,088</b>	<b>231,314</b>	<b>326,486</b>	<b>1,216,372</b>	<b>797,172</b>	<b>641,364</b>	<b>18,465</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>1,024,534</b>	<b>209,088</b>	<b>231,314</b>	<b>326,486</b>	<b>1,216,372</b>	<b>797,172</b>	<b>641,364</b>	<b>18,465</b>
<b>NET AVAILABLE EQUITY</b>	<b>1,024,534</b>	<b>209,088</b>	<b>231,314</b>	<b>326,486</b>	<b>1,216,372</b>	<b>797,172</b>	<b>641,364</b>	<b>18,465</b>

Reviewed BRSAs financial statements as of September 30, 2019 are considered.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED  
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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

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

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

*Unconsolidated investments in subsidiaries*

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ	Ankara/ Turkey	65.50	82.97
2 Taksim Otelcilik AŞ	İstanbul/ Turkey	51.00	51.81
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/ Turkey	86.97	94.68
4 Vakıf Gayrimenkul Değerleme AŞ	Ankara/ Turkey	94.29	96.65

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	312,070	229,347	245,134	3,654	-	854	(8,264)	22,459
2	407,742	392,843	208,609	18,267	-	22,686	23,214	431,760
3	87,528	64,126	38,424	4,252	-	4,374	1,206	49,463
4	31,274	23,559	686	3,984	-	(2,575)	(59)	25,428

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

In the prior period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Pazarlama Sanayi ve Ticaret AŞ, purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,811 for TL 4,598 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,525 for TL 4,131 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 26,302 from TL 20,966 and share amount increased to 86.97% from 69.33%.

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

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

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

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)

*Investments in consolidated subsidiaries*

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ	İstanbul/ Turkey	56.39	56.39
2 Vakıf Emeklilik ve Hayat AŞ	İstanbul/ Turkey	53.90	82.78
3 Vakıf Faktoring AŞ	İstanbul/ Turkey	78.39	88.68
4 Vakıf Finansal Kiralama AŞ	İstanbul/ Turkey	58.71	67.54
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/ Turkey	99.25	99.56
6 Vakıfbank International AG	Viyana/Austria	90.00	90.00
7 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/ Turkey	17.37	30.19
8 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/ Turkey	38.70	39.68

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	3,027,263	1,161,625	838,156	169,480	-	87,450	35,734	909,330
2	11,495,990	614,118	214,609	99,777	-	230,099	116,707	1,358,353
3	2,595,527	343,941	2,551	411,915	-	102,561	53,058	217,106
4	2,885,815	263,183	23,122	176,760	-	15,915	36,493	243,434
5	561,696	231,315	5,417	1,936	2,941	26,186	29,413	264,575
6	5,068,734	937,268	1,388	120,726	-	30,653	40,942	457,557
7	19,150	18,465	277	2,398	410	936	(212)	38,513
8	1,655,112	967,257	879,851	6,784	-	(267)	16,978	445,999

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

	Current Period – September 30, 2019	Prior Period – December 31, 2018
<b>Balance at the beginning of the period</b>	<b>2,129,732</b>	<b>1,950,138</b>
<b>Movements during the period</b>	<b>281,984</b>	<b>179,594</b>
Transfers (*)	-	(52,500)
Acquisitions	179,826	433
Bonus shares received	384,233	33,104
Share of current year profit	(42,881)	(48,196)
Sales and liquidations	(220)	(885)
Fair value changes	183,329	261,874
Impairment losses	(422,303)	(14,236)
<b>Balance at the end of the period</b>	<b>2,411,716</b>	<b>2,129,732</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

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

In the current 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. Thus, the nominal share of The Parent Bank in Güneş Sigorta AŞ increased from TL 129,643 to TL 304,496 and its share ratio increased from 48.02% to 56.39%.

In the current 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%.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF 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)**

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 58.71%.

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

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

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

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

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

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

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

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

In the prior period, it has been decided to sell 885,160 shares of Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. After the sale, the Bank's share decreased from TL 4,578 to TL 3,693. The share of the Parent Bank amounting to TL 885 has been disclosed in Sales in the movement table of subsidiaries. After the sale, the Bank's share in Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. decreased from 22.89% to 18.47%.

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

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

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

*Valuation of consolidated subsidiaries in unconsolidated financial statements*

	<b>Current Period - September 30, 2019</b>	<b>Prior Period - December 31, 2018</b>
Measured at cost	-	-
Measured at fair value	2,411,716	2,129,732
Equity method of accounting	-	-
<b>Total</b>	<b>2,411,716</b>	<b>2,129,732</b>

*Sectoral distribution of consolidated investments in financial subsidiaries*

	<b>Current Period - September 30, 2019</b>	<b>Prior Period- December 31, 2018</b>
Banks	411,801	403,558
Insurance companies	1,244,923	968,850
Factoring companies	170,189	170,189
Leasing companies	142,920	145,488
Financing companies	-	-
Other financial subsidiaries	441,883	441,647
<b>Total</b>	<b>2,411,716</b>	<b>2,129,732</b>

*Quoted consolidated subsidiaries*

	<b>Current Period – September 30, 2019</b>	<b>Prior Period – December 31, 2018</b>
Quoted at domestic stock exchanges	834,983	518,361
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>834,983</b>	<b>518,361</b>

*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.

**10. Information on finance lease receivables (net)**

*Finance lease receivables disclosed according to remaining maturities*

	<b>Current Period - September 30, 2019</b>		<b>Prior Period – December 31, 2018</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	685,817	620,103	565,650	535,088
Between 1-4 years	2,069,018	1,764,890	1,883,455	1,644,025
Longer than 4 years	381,938	289,811	755,179	602,489
<b>Total</b>	<b>3,136,773</b>	<b>2,674,804</b>	<b>3,204,284</b>	<b>2,781,602</b>

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Net investments in finance lease receivables*

	Current Period – September 30, 2019	Prior Period – December 31, 2018
Gross finance lease receivables	3,136,773	3,204,284
Unearned income on finance lease receivables (-)	461,969	422,682
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>2,674,804</b>	<b>2,781,602</b>

*Finance lease agreements*

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

**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 September 30, 2019, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 101,591 (December 31, 2018: TL 101,795) and its subsidiaries which are operating in real estate investment business is TL 552,715 (December 31, 2018: TL 505,605).

**13. Information on tax assets**

**a) Current tax assets**

As at September 30, 2019 the current tax asset of the Group amounts to TL 19,183 (December 31, 2018: TL 2).

**b) Deferred tax assets**

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

	Current Period - September 30, 2019	Prior Period - December 31, 2018
Provision for employee termination benefits and unused vacations	137,195	122,272
Other provisions	46,062	73,828
Valuation differences of associates and subsidiaries	114,648	115,933
Deductible financial losses	3,819	16,830
Investment incentives	4,025	3,699
Valuation differences of financial assets and liabilities	152,384	42,008
Reporting Standards - Tax Code depreciation differences	35	-
Provision (General Provision)	791,266	626,608
Other differences	35,271	18,536
<b>Deferred tax assets</b>	<b>1,284,705</b>	<b>1,019,714</b>
Net-off of the deferred tax assets and liabilities from the same entity	(469,854)	(830,746)
<b>Deferred tax assets, (net)</b>	<b>814,851</b>	<b>188,968</b>
Valuation differences of financial assets and liabilities	287,054	621,513
Valuation difference for associates and subsidiaries	105,649	111,720
Valuation differences of properties	91,515	93,668
Other differences	81,031	35,566
<b>Deferred tax liabilities</b>	<b>565,249</b>	<b>862,467</b>
Net-off of the deferred tax assets and liabilities from the same entity	(469,854)	(830,746)
<b>Deferred tax liabilities, (net)</b>	<b>95,395</b>	<b>31,721</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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

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

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

	Current Period – September 30, 2019	Prior Period – December 31, 2018
<b>As of 1 January</b>	<b>157,247</b>	<b>(12,468)</b>
Adjustment according to TAS as of January, 1	-	464,040
Deferred tax income/(loss)	734,102	(244,441)
Deferred tax that is accounted under Equity	(143,604)	(43,408)
Other	(28,289)	(6,476)
<b>Deferred tax asset/(liability)</b>	<b>719,456</b>	<b>157,247</b>

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

As of September 30, 2019, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 2,884,168 (December 31, 2018: TL 1,581,436), and the provision for impairment is TL 13,722 (December 31, 2018: TL 28,392).

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 Levent Yapılandırma Yönetimi as December 21, 2018. The Parent Bank participated in LYY Telekomünikasyon AŞ with a 4.2559% share and his investment was classified as non-current assets held for sale and discontinued operations. At the 2018 Ordinary General Assembly Meeting of LYY Telekomünikasyon AŞ (LYY), registered with the Istanbul Trade Registry, under 136759/5, which we hold a 4,2559% stake in the company's capital, it was decided to increase the company's capital by TL 3,982,230 in kind, all to be covered by common receivables. The Company's paid-in capital was TL 3,982,280 after the General Assembly. As a result of the capital increase, The Parent Bank's share in the Company's capital has not changed and the nominal value of the directly owned share has increased from 2 TL to 169,483 TL.

**15. Information on other asset**

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

	Current Period – September 30, 2019	Prior Period – December 31, 2018
Receivables from insurance operations	1,559,391	1,954,650
Receivables from credit card payments	1,819,279	1,443,032
Prepaid expenses	1,233,812	1,297,047
Guarantees given for repurchase agreements	16,027	32,741
Guarantees given for derivative financial instruments	7,253,675	6,891,330
Receivables from term sale of assets	118,762	72,096
Receivables from reinsurance companies	57,310	53,863
Deferred commission expenses	233,121	119,251
Other	2,404,901	2,822,525
<b>Total</b>	<b>14,696,278</b>	<b>14,686,535</b>

**16. Information on expected loss provisions for financial assets**

	September 30, 2019	
Balances with the Central Bank	316	328
Banks	5,728	7,308
<b>Total</b>	<b>6,044</b>	<b>7,636</b>
Financial Assets Measured at Amortized Cost	5,099	4,665
<b>Total</b>	<b>11,143</b>	<b>12,301</b>



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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

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 September 30, 2019	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	7,704,547	-	7,653,315	34,778,033	3,984,315	450,733	1,948,649	7,329	56,526,921
Foreign currency deposits	13,055,701	-	10,701,173	47,935,364	4,651,192	2,442,678	8,788,552	-	87,574,660
Residents in Turkey	11,411,851	-	10,378,299	45,822,310	3,841,860	1,401,186	2,159,829	-	75,015,335
Residents in abroad	1,643,850	-	322,874	2,113,054	809,332	1,041,492	6,628,723	-	12,559,325
Public sector deposits	9,273,160	-	4,113,002	5,934,182	2,759,609	390,983	201,512	-	22,672,448
Commercial deposits	4,229,707	-	10,314,595	13,806,296	969,747	451,404	309,057	-	30,080,806
Other	7,229,585	-	1,493,159	7,373,382	2,949,453	741,616	784,233	-	20,571,428
Precious metal deposits	4,418,200	-	-	-	-	154,830	34,170	-	4,607,200
Bank deposits	1,038,167	-	4,592,675	3,255,710	831,213	225,725	30,094	-	9,973,584
Central Bank	135	-	-	-	-	-	-	-	135
Domestic banks	284,355	-	2,673,399	296,554	147,640	199,605	7,409	-	3,608,962
Foreign banks	157,644	-	1,826,643	2,674,862	-	26,120	22,685	-	4,707,954
Participation banks	596,033	-	92,633	284,294	683,573	-	-	-	1,656,533
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>46,949,067</b>	<b>-</b>	<b>38,867,919</b>	<b>113,082,967</b>	<b>16,145,529</b>	<b>4,857,969</b>	<b>12,096,267</b>	<b>7,329</b>	<b>232,007,047</b>

Prior Period December 31, 2018	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	5,744,919	-	6,643,429	35,802,910	4,275,941	831,277	561,358	3,851	53,863,685
Foreign currency deposits	12,208,395	-	4,802,505	33,583,387	3,817,569	2,370,111	8,998,778	-	65,780,745
Residents in Turkey	11,089,671	-	4,734,577	32,950,463	3,222,472	898,417	1,452,912	-	54,348,512
Residents in abroad	1,118,724	-	67,928	632,924	595,097	1,471,694	7,545,866	-	11,432,233
Public sector deposits	8,813,217	-	7,364,042	5,762,076	1,706,276	2,415,489	187,995	-	26,249,095
Commercial deposits	2,980,744	-	5,186,038	6,510,432	893,392	935,437	40,288	-	16,546,331
Other	3,942,935	-	1,107,213	3,325,545	1,658,781	90,207	221,300	-	10,345,981
Precious metal deposits	2,625,379	-	-	-	-	-	-	-	2,625,379
Bank deposits	397,156	-	1,136,730	4,874,924	440,591	208,860	6,232	-	7,064,493
Central Bank	1,678	-	-	-	-	-	-	-	1,678
Domestic banks	119,838	-	580,017	389,545	35,145	187,479	6,232	-	1,318,256
Foreign banks	110,676	-	245,174	3,952,058	6,068	21,381	-	-	4,335,357
Participation banks	164,964	-	311,539	533,321	399,378	-	-	-	1,409,202
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>36,712,745</b>	<b>-</b>	<b>26,239,957</b>	<b>89,859,274</b>	<b>12,792,550</b>	<b>6,851,381</b>	<b>10,015,951</b>	<b>3,851</b>	<b>182,475,709</b>

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

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	32,900,608	23,626,313	26,391,734	27,471,951
Foreign currency saving deposits	15,900,919	30,317,790	8,642,215	25,316,190
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>48,801,527</b>	<b>53,944,103</b>	<b>35,033,949</b>	<b>52,788,141</b>

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

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 - September 30, 2019	Prior Period - December 31, 2018
Deposits and other accounts at foreign branches	61,515	72,744
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	5,964	5,287
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period- September 30, 2019		Prior Period- December 31, 2018	
	TL	FC	TL	FC
Forwards	56,097	3,498	74,131	7,626
Swaps	2,557,203	1,054,729	2,010,204	419,013
Futures	-	-	-	-
Options	552	7,494	37,282	3,992
Other	-	-	-	-
<b>Total</b>	<b>2,613,852</b>	<b>1,065,721</b>	<b>2,121,617</b>	<b>430,631</b>

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	857,405	-	431,595
Domestic banks and institutions	941,669	4,883,038	1,952,650	3,890,809
Foreign banks, institutions and funds	773,084	33,899,160	686,931	38,470,872
<b>Total</b>	<b>1,714,753</b>	<b>39,639,603</b>	<b>2,639,581</b>	<b>42,793,276</b>

b) Maturity information of funds borrowed

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
Short-term (*)	748,676	4,962,643	1,662,836	4,479,579
Medium and Long-term (*)	966,077	34,676,960	976,745	38,313,697
<b>Total</b>	<b>1,714,753</b>	<b>39,639,603</b>	<b>2,639,581</b>	<b>42,793,276</b>

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for %11.27 (December 31, 2018: %14.40) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

**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)**

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

**Syndicated Loans Received**

Beginning From	Maturity (Days)	Currency	Amount (Millions)	Interest rate	Coordinator Bank	Agent Bank
April 25, 2019	367	USD	279.5	Libor+2.50%	Mizuho Bank, Emirates NBD Bank PJSC	Mizuho Bank
	367	EUR	723.5	Euribor+2.40%	Mizuho Bank, Emirates NBD Bank PJSC	Mizuho Bank
November 21, 2018	367	USD	122	Libor+2.75%	Emirates NBD Bank PJSC	Emirates NBD Bank PJSC
	367	EUR	528.5	Euribor+2.65%	Emirates NBD Bank PJSC	Emirates NBD Bank PJSC
	733	USD	130	Libor+3.50%	Emirates NBD Bank PJSC	Emirates NBD Bank PJSC

**Securitized Loans Received**

Beginning from	Due date	Currency	Amount (USDMillions)	Loan Type	Banks
May 13, 2011	June 15, 2023	USD	346.5	Based on international remittance flows	European Bank of Reconstruction and Development (EBRD), Wells Fargo, ING Bank
December 19, 2014	December 16, 2019	USD/EUR	500	Based on international remittance flows	EBDR (2014-A) <sup>(*)</sup> , Wells Fargo Bank(2014-B), Raiffeisen Bank(2014-C), Standard Chartered Bank (2014-D), Societe Generale(2014-E), Bank of America(2014-G), JP Morgan Securities(2014-F)
	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	SMBC(2016-A), Wells Fargo Bank(2016-B), Credit Suisse(2016-C), Standard Chartered Bank(2016-D), EBRD(2016-E) <sup>(**)</sup> , JP Morgan(2016-F), ING Bank(2016-G)
	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	ING Bank(2018-A), SMBC(2018-B), Standard Chartered Bank(2018-C), Raiffeisen Bank(2018-D), Mizuho Bank(2018-E), Societe Generale(2018-F)
October 5, 2018	September 15, 2028	USD	300	Based on international remittance flows / Based on treasury financing transactions	ICBC Standard Bank

<sup>(\*)</sup> The 2014-A tranche of US \$ 125 million from EBDR was used to finance the Bank's medium-term loans, including meeting the financing needs of agricultural holdings and supporting women entrepreneurs,

<sup>(\*\*)</sup> EBDR participated in securitization loan with TurSEFF II and TurSEFF III projects,

As of September 30, 2019, the total securitization balance is equivalent of USD 1,096 million and EUR 245 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 % percent and a final return rate of 8.200 % percent was realized in the amount of USD 600 million. More than 150 international investors showed interest in the issue. The issuance amount was swapped to Euro on the same day and the transaction was closed at a cost of less than 5%.

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

On October 9, 2017, the Parent Bank had issued covered bond for the qualified investors abroad within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

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

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

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

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

*Information on securities issued (Continued)*

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Current Period - September 30, 2019</b>				
Nominal	5,819,648	5,182,191	-	16,258,066
Cost	5,577,924	5,182,191	-	16,189,583
Net Book Value	5,703,035	5,422,680	-	16,412,127
	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Prior Period - December 31, 2018</b>				
Nominal	4,502,977	3,666,000	-	14,462,438
Cost	4,253,208	3,666,000	-	14,390,145
Net Book Value	4,382,207	3,729,376	-	14,660,908

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CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

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 - September 30, 2019**

	<b>Gross</b>	<b>Net</b>
Under 1 year	50,148	45,059
1-4 Years	392,591	306,652
Over 4 years	918,990	494,543
<b>Total</b>	<b>1,361,729</b>	<b>846,254</b>

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

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

None.

7. Information on provisions

*Provision for currency exchange loss on foreign currency indexed loans*

	<b>Current Period – September 30, 2019</b>	<b>Prior Period – December 31, 2018</b>
Provision for Foreign Exchange Indexed Loans	9,984	32

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

As of September 30, 2019, the Parent Bank has recorded TL 45,883 (December 31, 2018: TL 26,739) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on provision for probable risks*

A portion of free provisions amounting to TL 178,000 has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provisions in the accompanying consolidated financial statements as at September 30, 2019, is TL 852,000. (31 December 2018: TL 1,030,000).

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

**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 nine-month period ended September 30, 2019, the tax liability of the Group is amounting to TL 859,775 (December 31, 2018: TL 317,754).

*Information on taxes payable*

	<b>Current Period – September 30, 2019</b>	<b>Prior Period – December 31, 2018</b>
Corporate taxes payable	859,775	317,754
Taxation on securities	358,192	237,984
Capital gains tax on property	3,578	3,258
Taxes on foreign exchange transactions	2,675	-
Banking and Insurance Transaction Tax (BITT)	213,829	207,040
Value added tax payable	7,286	6,834
Other	58,537	75,332
<b>Total</b>	<b>1,503,872</b>	<b>848,202</b>

*Information on premiums payable*

	<b>Current Period – September 30, 2019</b>	<b>Prior Period - December 31, 2018</b>
Social security premiums- employee share	1,504	1,442
Social security premiums- employer share	4,679	3,938
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	23	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	1
Unemployment insurance- employee share	1,289	1,106
Unemployment insurance- employer share	2,807	2,436
Other	35	14
<b>Total</b>	<b>10,337</b>	<b>8,962</b>

*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**

None.

**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.

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%.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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

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

**10. Information on subordinated loans(Continued)**

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 18,472,112 as of September 30, 2019 (December 31, 2018: TL 13,022,023).

	Current Period – September 30, 2019		Prior Period – December 31, 2018	
	TL	FC	TL	FC
<b>Debt instruments to be included in the additional capital calculation</b>				
Subordinated Loans	4,993,575	4,408,922	5,138,704	-
Subordinated Debt Instruments	-	-	-	-
	4,993,575	4,408,922	5,138,704	-
<b>Debt instruments to be included in the additional capital calculation</b>				
Subordinated Loans	1,255,362	7,814,253	529,417	7,353,902
Subordinated Debt Instruments	-	-	-	-
	1,255,362	7,814,253	529,417	7,353,902
<b>Total</b>	<b>6,248,937</b>	<b>12,223,175</b>	<b>5,668,121</b>	<b>7,353,902</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

**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**

	<b>Current Period - September 30, 2019</b>	<b>Prior Period - December 31, 2018</b>
Common stock	2,500,000	2,500,000
Preferred stock	-	-

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

Board of Directors' members; 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*

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

At the resolutions of Board of Directors dated 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*

	<b>Current Period – September 30, 2019</b>		<b>Prior Period – December 31, 2018</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Associates, subsidiaries and joint ventures	436,236	-	438,620	-
Financial assets at fair value through other comprehensive income	296,035	229,500	(126,892)	9,123
<b>Total</b>	<b>732,271</b>	<b>229,500</b>	<b>311,728</b>	<b>9,123</b>



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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

**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*

	<b>Current Period – September 30, 2019</b>	<b>Prior Period - December 31, 2018</b>
Commitments for credit card limits	16,159,649	13,549,649
Loan granting commitments	16,901,065	14,105,349
Commitments for cheque payments	2,277,442	1,979,217
Asset purchase sale commitments	9,345,025	3,754,254
Other	2,569,625	3,086,633
<b>Total</b>	<b>47,252,806</b>	<b>36,475,102</b>

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

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

The Parent Bank provided specific provision amounting to TL 531,981 (December 31, 2018: TL 258,210) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 45,883 (December 31, 2018: TL 26,739).

*Final guarantees, provisional guarantees, sureties and similar transactions*

	<b>Current Period – September 30, 2019</b>	<b>Prior Period - December 31, 2018</b>
Final letters of guarantee	20,191,968	18,753,120
Letters of guarantee for advances	6,006,416	6,838,656
Letters of guarantee given to custom offices	1,298,946	1,314,771
Provisional letters of guarantee	1,467,387	1,913,828
Other letters of guarantee	27,104,995	23,132,521
<b>Total</b>	<b>56,069,712</b>	<b>51,952,896</b>

**2. Non-cash loans**

	<b>Current Period - September 30, 2019</b>	<b>Prior Period - December 31, 2018</b>
Non-cash loans given for cash loan risks	14,323,502	10,058,836
<i>With original maturity of 1 year or less</i>	4,802,429	3,334,315
<i>With original maturity of more than 1 year</i>	9,521,073	6,724,521
Other non-cash loans	56,825,917	55,970,161
<b>Total</b>	<b>71,149,419</b>	<b>66,028,997</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

**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 - September 30, 2019				Prior Period - December 31, 2018			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>49,291</b>	<b>0.13</b>	<b>139,691</b>	<b>0.42</b>	<b>32,052</b>	<b>0.08</b>	<b>59,331</b>	<b>0.21</b>
Farming and Cattle	44,554	0.12	118,732	0.36	29,692	0.08	59,331	0.21
Forestry	4,707	0.01	-	-	1,698	-	-	-
Fishing	30	-	20,959	0.06	662	-	-	-
<b>Manufacturing</b>	<b>11,269,811</b>	<b>29.48</b>	<b>15,865,284</b>	<b>48.20</b>	<b>12,489,776</b>	<b>33.19</b>	<b>14,033,362</b>	<b>49.41</b>
Mining	231,375	0.61	160,566	0.49	218,076	0.58	126,887	0.45
Production	6,983,697	18.27	14,977,241	45.50	8,147,262	21.65	13,170,945	46.37
Electric, gas and water	4,054,739	10.61	727,477	2.21	4,124,438	10.96	735,530	2.59
<b>Construction</b>	<b>7,547,652</b>	<b>19.74</b>	<b>5,598,760</b>	<b>17.01</b>	<b>7,726,291</b>	<b>20.53</b>	<b>5,137,296</b>	<b>18.09</b>
<b>Services</b>	<b>17,845,510</b>	<b>46.67</b>	<b>9,483,688</b>	<b>28.82</b>	<b>15,650,807</b>	<b>41.60</b>	<b>7,037,312</b>	<b>24.77</b>
Wholesale and retail trade	5,969,611	15.61	5,376,314	16.33	5,545,235	14.74	4,032,534	14.20
Hotel, food and beverage Services	332,317	0.87	383,520	1.17	336,135	0.89	245,307	0.86
Transportation and telecommunication	2,594,842	6.79	2,129,642	6.47	1,986,293	5.28	1,123,275	3.95
Financial institutions	5,036,695	13.17	130,192	0.40	4,361,969	11.59	94,814	0.33
Real estate and renting Services	1,556,735	4.07	499,148	1.52	1,663,203	4.42	402,537	1.42
Self-employment services	2,104,803	5.51	387,233	1.18	1,455,236	3.87	456,663	1.61
Education services	57,242	0.15	1,273	-	51,743	0.14	4,085	0.01
Health and social services	193,265	0.50	576,366	1.75	250,993	0.67	678,097	2.39
<b>Other</b>	<b>1,521,427</b>	<b>3.98</b>	<b>1,828,305</b>	<b>5.55</b>	<b>1,727,370</b>	<b>4.60</b>	<b>2,135,400</b>	<b>7.52</b>
<b>Total</b>	<b>38,233,691</b>	<b>100.00</b>	<b>32,915,728</b>	<b>100.00</b>	<b>37,626,296</b>	<b>100.00</b>	<b>28,402,701</b>	<b>100.00</b>

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

Current Period - September 30, 2019	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	35,835,664	17,791,780	1,221,732	707,279
Confirmed bills of exchange and acceptances	7,842	4,040,333	-	9,044
Letters of credit	147,704	9,907,382	-	824
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	381,881	91,635	-	-
Other guarantees and sureties	229,872	244,466	-	-
<b>Non-Cash Loans</b>	<b>36,602,963</b>	<b>32,075,596</b>	<b>1,221,732</b>	<b>717,147</b>

Prior Period - December 31, 2018	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	35,786,714	14,727,183	875,085	321,894
Confirmed bills of exchange and acceptances	7,815	2,948,104	-	-
Letters of credit	51,010	10,141,626	-	7,151
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	243,674	127,759	-	-
Other guarantees and sureties	410,702	122,070	-	-
<b>Non-Cash Loans</b>	<b>36,499,915</b>	<b>28,066,742</b>	<b>875,085</b>	<b>329,045</b>

**5. Contingent assets and liabilities**

Group allocates TL 46,575 as provision for lawsuits against the Group (December 31, 2018: TL 13,417).

**6. Services rendered on behalf of third parties**

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

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

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

1. Interest income

*Information on interest income received from loans*

	Current Period – September 30, 2019		Prior Period – September 30, 2018	
	TL	FC	TL	FC
Short-term loans	7,843,423	594,659	5,757,895	288,785
Medium and long-term loans	13,607,438	3,774,150	10,454,764	3,134,845
Non-performing loans	416,121	-	237,841	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>21,866,982</b>	<b>4,368,809</b>	<b>16,450,500</b>	<b>3,423,630</b>

*Information on interest income received from banks*

	Current Period – September 30, 2019		Prior Period – September 30, 2018	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	1,297	-	-
Domestic Banks	133,153	29,689	127,605	19,637
Foreign Banks	2,010	97,012	1,066	91,774
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>135,163</b>	<b>127,998</b>	<b>128,671</b>	<b>111,411</b>

*Information on interest income received from marketable securities portfolio*

	Current Period - September 30, 2019		Prior Period - September 30, 2018	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	58,454	629	11,340	483
Financial assets at fair value through other comprehensive income	1,428,345	157,298	616,439	49,162
Financial assets measured at amortised cost	3,126,695	394,623	2,656,344	282,836
<b>Total</b>	<b>4,613,494</b>	<b>552,550</b>	<b>3,284,123</b>	<b>332,481</b>

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 September 30, 2019, the valuation of the related securities was based on an annual inflation forecast of 9.04%. If the valuation of these securities indexed to CPI was made according to the reference index valid for September 30, 2019, the Parent Bank's equity valuation differences on equity would increase by TL 82 million (full TL) and the net profit for the period would decrease by TL 416 million to 1,106 million TL (full TL).

*Information on interest income received from associates and subsidiaries*

None.

2. Interest Expense

*Interest expense on funds borrowed*

	Current Period – September 30, 2019		Prior Period – September 30, 2018	
	TL	FC	TL	FC
<b>Banks</b>	<b>240,981</b>	<b>1,054,911</b>	<b>251,170</b>	<b>857,301</b>
Central Bank of the Republic of Turkey	-	1,412	-	853
Domestic Banks	182,496	112,320	174,117	56,496
Foreign Banks	58,485	941,179	77,053	799,952
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>64,814</b>	<b>-</b>	<b>57,807</b>
<b>Total</b>	<b>240,981</b>	<b>1,119,725</b>	<b>251,170</b>	<b>915,108</b>

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Interest expense paid to associates and subsidiaries*

	Current Period - September 30, 2019	Prior Period - September 30, 2018
Interests paid to the associates and subsidiaries	86,427	143,406

*Interest expense on securities issued*

Interest paid to securities issued as at for the period ended September 30, 2019 is TL 3,059,046 (TL 1,907,624, 1,151,422 FC). (September 30, 2018: TL 1,995,226 (TL 1,055,824, 939,402 FC)).

*Maturity structure of the interest expense on deposits*

Current Period – September 30, 2019	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	90,654	111,260	-	69,967	115,893	-	387,774
Saving deposits	-	1,030,228	4,875,887	709,770	98,981	164,298	464	6,879,628
Public sector deposits	18,359	414,443	812,059	91,746	56,388	29,861	-	1,422,856
Commercial deposits	-	961,003	1,327,311	192,617	85,740	42,314	-	2,608,985
Other deposits	-	131,548	598,168	460,401	67,713	23,665	-	1,281,495
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18,359</b>	<b>2,627,876</b>	<b>7,724,685</b>	<b>1,454,534</b>	<b>378,789</b>	<b>376,031</b>	<b>464</b>	<b>12,580,738</b>
<i>FC</i>								
Foreign Currency deposits	26,180	142,324	947,490	92,857	42,601	158,782	-	1,410,234
Interbank deposits	8,808	42,316	51,934	-	32,659	54,097	-	189,814
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	407	60	-	467
<b>Total</b>	<b>34,988</b>	<b>184,640</b>	<b>999,424</b>	<b>92,857</b>	<b>75,667</b>	<b>212,939</b>	<b>-</b>	<b>1,600,515</b>
<b>Grand Total</b>	<b>53,347</b>	<b>2,812,516</b>	<b>8,724,109</b>	<b>1,547,391</b>	<b>454,456</b>	<b>588,970</b>	<b>464</b>	<b>14,181,253</b>

Prior Period – September 30, 2018	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	-	10,751	255,085	-	5,083	-	-	270,919
Saving deposits	-	524,113	3,860,819	243,729	33,279	16,480	210	4,678,630
Public sector deposits	9,491	362,904	619,930	82,771	441,551	12,594	-	1,529,241
Commercial deposits	-	496,587	1,261,915	212,976	41,949	1,269	-	2,014,696
Other deposits	-	56,219	355,140	75,194	23,241	5,715	-	515,509
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9,491</b>	<b>1,450,574</b>	<b>6,352,889</b>	<b>614,670</b>	<b>545,103</b>	<b>36,058</b>	<b>210</b>	<b>9,008,995</b>
<i>FC</i>								
Foreign currency deposits	18,039	43,927	843,240	51,646	32,580	139,518	-	1,128,950
Interbank deposits	5,649	36	18,767	63,894	-	-	-	88,346
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>23,688</b>	<b>43,963</b>	<b>862,007</b>	<b>115,540</b>	<b>32,580</b>	<b>139,518</b>	<b>-</b>	<b>1,217,296</b>
<b>Grand Total</b>	<b>33,179</b>	<b>1,494,537</b>	<b>7,214,896</b>	<b>730,210</b>	<b>577,683</b>	<b>175,576</b>	<b>210</b>	<b>10,226,291</b>

3. Information on trading income/losses

	Current Period – September 30, 2019	Prior Period – December 31, 2018
<b>Income</b>	<b>31,188,943</b>	<b>28,814,616</b>
Income from capital market operations	10,543,129	3,896,304
Income from derivative financial instruments	14,768,540	13,182,482
Foreign exchange gains	5,877,274	11,735,830
<b>Losses</b>	<b>(33,170,301)</b>	<b>(28,127,650)</b>
Loss from capital market operations	(10,289,119)	(3,752,959)
Loss from derivative financial instruments	(17,447,426)	(12,700,474)
Foreign exchange loss	(5,433,756)	(11,674,217)
<b>Net trading profit/loss</b>	<b>(1,981,358)</b>	<b>686,966</b>

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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

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

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 2,558,864 as at and for the nine-month period ended September 30, 2019 (September 30, 2018: net profit of TL 161,653).

**4. Information on other operating income**

	Current Period – September 30, 2019	Prior Period – December 31, 2018
Income from reversal of the provisions for loans from prior periods	2,875,321	800,283
Earned insurance premiums (net of reinsurance share)	1,361,068	1,031,343
Communication income	29,346	27,047
Gain on sale of assets	205,091	138,361
Income from private pension business	200,101	93,345
Rent income	6,114	163,380
Other income	377,105	365,479
<b>Total</b>	<b>5,054,146</b>	<b>2,619,238</b>

**5. Expected credit loss and other provision expenses**

	Current Period - September 30, 2019	Prior Period - September 30, 2018
<b>Expected Credit Loss</b>	<b>5,930,368</b>	<b>4,033,003</b>
12 month expected credit loss (stage 1)	1,013,935	665,361
Significant increase in credit risk (stage 2)	1,950,237	1,122,228
Non-performing loans (stage 3)	2,966,196	2,245,414
<b>Marketable Securities Impairment Expense</b>	<b>40,973</b>	<b>32,590</b>
Financial Assets at Fair Value through Profit or Loss	6,340	1,262
Financial Assets at Fair Value Through Other Comprehensive Income	34,633	31,328
<b>Investments in Associates, Subsidiaries and Held-to-maturity Sec. Value Decrease</b>	<b>148</b>	<b>-</b>
Investments in Associates	148	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,971,489</b>	<b>4,065,593</b>

**6. Information on other operating expenses**

	Current Period - September 30, 2019	Prior Period - September 30, 2018
Reserve for Employee Termination Benefits	84,588	64,555
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	340,867	126,649
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	26,895	24,192
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	-	1,948
Other Operating Expenses	2,180,655	2,177,376
<i>Leasing expenses related to TFRS 16 exceptions</i>	72,364	228,497
<i>Repair and maintenance expenses</i>	47,525	51,106
<i>Advertisement expenses</i>	131,692	125,160
<i>Other expenses</i>	1,929,074	1,772,613
Loss on sale of assets	4,339	4,004
Other <sup>(*)</sup>	1,206,069	1,101,682
<b>Total</b>	<b>3,843,413</b>	<b>3,500,406</b>

<sup>(\*)</sup> Other operating expenses amounting to TL 1,206,069 (September 30, 2018: TL 1,101,682) is comprised of provision expenses for dividends to the personnel amounting to TL 216,674 (September 30, 2018: TL 193,575), tax, fees and funds expenses amounting to TL 214,813 (September 30, 2018: TL 289,777), Saving Deposits Insurance Fund expenses amounting to TL 219,694 (September 30, 2018: TL 145,315), Compensation pensions amounting to TL - (September 30, 2018: TL 0), cumulative/noncumulative commission expenses amounting to TL 131,757 (September 30, 2018: TL 74,280), production commission expenses to TL 196,882 (September 30, 2018: TL 189,038) and other expenses amounting to TL 226,249 (September 30, 2018: TL 209,697)

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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

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

**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 1,313,193 (September 30, 2018: TL 132,068) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period - September 30, 2019</b>	<b>Prior Period - September 30, 2018</b>
Arising from Origination / (Reversal) of Deductible Temporary Differences	300,573	343,333
Arising from (Origination)/ Reversal of Taxable Temporary Differences	433,529	(992,366)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>734,102</b>	<b>(649,033)</b>

**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 32,151,335 interest income and TL 23,147,053 interest expense, also incurred TL 2,717,627 amount of net fee and commission income from its ordinary banking operations (September 30, 2018: TL 24,183,949 interest income, TL 15,563,301 interest expense, TL 1,449,439 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**

	<b>Current Period - September 30, 2019</b>	<b>Prior Period - September 30, 2018</b>
Income/(losses) related to non-controlling interest	128,062	54,756

**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.

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

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*

	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
<b>Current Period - September 30, 2019</b>						
Loans						
Balance at the beginning of the year	85	222,835	-	44,668	193,297	91,969
Balance at the end of the year	12,017	341,958	-	84,413	308,908	64,947
Interest and commission income	-	261	-	-	37,996	106

	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
<b>Prior Period - December 31, 2018</b>						
Loans						
Balance at the beginning of the year	17	1,190,628	-	38,243	18,111	34,799
Balance at the end of the year	85	222,835	-	44,668	193,297	91,969
Interest and commission income	-	938	-	-	13,485	108

*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 - September 30, 2019	Prior Period - December 31, 2018	Current Period - September 30, 2019	Prior Period - December 31, 2018	Current Period - September 30, 2019	Prior Period - December 31, 2018
Deposits						
Balance at the beginning of the year	538,053	884,201	1,079,621	1,100,243	623,318	241,646
Balance at the end of the year	319,521	538,053	735,417	1,079,621	631,896	623,318
Interest on deposits	86,427	143,406	159,266	51,700	12,634	527

**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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.117% (December 31, 2018: 0.085%) and 0.7% (December 31, 2018: 0.544%) respectively.

<b>Current Period - September 30, 2019</b>	<b>Amount</b>	<b>Compared with the Financial Statement</b>	
		<b>Amount</b>	<b>%</b>
Cash Loans	320,925		0.12
Non-Cash Loans	491,318		0.70
Deposits	1,686,834		0.73
Forward and Option Agreements	-		-

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



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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

**SECTION SIX**

**OTHER DISCLOSURES AND FOOTNOTES**

**I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY**

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

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

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

<b>July 2019</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+
Viability Note	b+
<b>June 2019</b>	<b>Moody's Investors' Service</b>
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B3/NP
Foreign Currency Outlook	Negative
<b>May 2019</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/-/trA-1
<b>March 2019</b>	<b>JCR Eurasia</b>
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.

**OTHER DISCLOSURES AND FOOTNOTES (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 116.776.325 (full TL) and an ISIN code of TRFVKFBA1921 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 October 1, 2019.

The Parent Bank issued and offered to the public a Vakıfbank financing bill on September 30 ve October 1-2, 2019, with a term of 112 days, starting October 4, 2019 and ending January 24, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB12045 was determined to have TL 570.352.161 (full TL) nominal value, 112 days term, term ending January 24, 2020, with an annual compound interest rate of % 14,1426 , simple interest rate of % 13,5000 and issue price is 96,022.

The Parent Bank issued a Vakıfbank financing bill with a term of 112 days, a nominal value of TL 130.000.000 (full TL) and an ISIN code of TRFVKFB12052 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 October 4, 2019

The Parent Bank issued a Vakıfbank financing bill with a term of 63 days, a nominal value of TL 180.756.728 (full TL) and an ISIN code of TRFVKFBA1939 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 October 4, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 49 days, a nominal value of TL 73.928.925 (full TL) and an ISIN code of TRFVKFBK1986 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 October 11, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 63 days, a nominal value of TL 143.615.277 (full TL) and an ISIN code of TRFVKFBA1947 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 October 11, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 39 days, a nominal value of TL 40.200.000 (full TL) and an ISIN code of TRFVKFBK1994 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 October 14, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 74 days, a nominal value of TL 30.790.705 (full TL) and an ISIN code of TRFVKFBA1954 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 October 14, 2019

The Parent Bank issued a Vakıfbank financing bill with a term of 56 days, a nominal value of TL 69,000,000 (full TL) and an ISIN code of TRFVKFBA1962 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 October 16, 2019

The Parent Bank issued a Vakıfbank financing bill with a term of 93 days, a nominal value of TL 349.042.311 (full TL) and an ISIN code of TRFVKFB12060 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 October 16, 2019.

On October 16, 2019, the Bank provided a total of 7-year securitization financing including a 3-year grace period of USD 417 million within the scope of the securitization program based on foreign cash transfer flows and based on treasury transactions.

The Parent Bank issued a Vakıfbank financing bill with a term of 49 days, a nominal value of TL 123,250,000 (full TL) and an ISIN code of TRFVKFBA1970 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 October 18, 2019.

**OTHER DISCLOSURES AND FOOTNOTES (Continued)**

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

The Parent Bank issued a Vakıfbank financing bill with a term of 46 days, a nominal value of TL 73,300,000 (full TL) and an ISIN code of TRFVKFBA1988 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 October 21,2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 156,586,860 (full TL) and an ISIN code of TRFVKFB12078 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 October 25,2019.

The bank issued a VakıfBank financing bill with a term of 92 days, a nominal value of TL 244,672,290 (full TL) and an ISIN code of TRFVKFB12086 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 October 31,2019.

**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 nine-month period ended September 30, 2019., have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated November 8, 2019 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group's financial position and results of its operations as at and for the nine-month period ended September 30, 2019.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

None.

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

**Assessment of the Board Chairman**

Developments in the trade war between the USA and China have continued to dominate the agenda in this period. With the effect of trade wars, weakened global economic activity and increased uncertainty has caused the central banks of developed countries to ease their monetary policy.

US economy has grown 2% in the third quarter of the year, with the effect of trade tensions. In the Europe side, leading indicators show that Eurozone economy continues the slowdown. Eurozone economy has grown by 1.1% annually in third quarter of the year. On the other hand, Chinese economy has shown its lowest growth performance in thirty years, with 6% growth in third quarter of the year. Weak domestic demand and the adverse effect of trade war on the exports have strongly affected this low rate of growth.

Turkish economy has shrunk by 1.5% in the second quarter of 2019 compared to the same quarter of previous year. Seasonally- and calendar-adjusted growth is 1.2% compared to previous quarter. Macroeconomic data has improved in the third quarter of the year.

In this period, Mr. Berat Albayrak, the Minister of Treasury and Finance, has announced New Economy Program covering the estimates for macroeconomic indicators for the period 2020-2022. The Program estimates growth at 0.5%, and unemployment at 12.9%, an inflation at 12% for the year 2019. In addition, it is stated that the year 2019 will be closed with a current surplus.

Turkish Banking Sector has maintained its strong structure in this period. Total assets of the industry has increased by 10.48% compared to 2018, reaching TL 4,273 billion. After the cut in policy interest rates, interest rates on loans have dropped significantly. In this period, loans ratio in the industry increased by 5.75% to TL 2,532 billion. As of the end of September, Turkish Banking industry's capital adequacy ratio is 18.44%, well above the international standards. The industry continues to grow in a robust manner, and to support Turkish economy.

In the third quarter of the year, our Bank has continued with supporting Turkish economy. In this period, our Bank's total assets have increased by 17% compared to previous year-end, to TL 387 billion, while loans have increased by 17% to TL 260 billion. Deposits, our main funding source, have increased by 28% to TL 230 billion.

VakıfBank will continue to be the force supporting Turkish economy in the period ahead, as has always been. I would like to thank to all our customers, shareholders, investors and our dedicated employees and all other stakeholders.

Sincerely yours

**Abdülkadir AKSU  
Chairman of the Board**

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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**INFORMATION ON THE INTERIM ACTIVITY REPORT (Continued)**

**Assessment of the General Manager:**

In the third quarter of 2019, global growth expectations fell, due to protective trade policies of the USA and increased uncertainty. In this period, US FED cut the policy interest rates at July and September meetings, by a total of 50 basis points. European Central Bank (ECB) cut its interest rate by 10 basis points, in line with expectations, at its September meeting, and announced that it will buy Euro 20 billion of bonds each month starting from November 1<sup>st</sup>, and continue to buy bonds as long as it is needed. China announced that it will continue to implement cautious monetary policy due to loss of momentum in economic activity, and further cut the reserve requirement ratios. In this period, political uncertainty related to Brexit persisted. As a result of negotiations in October with the European Union, it is agreed to postpone UK's exit from the Union to 31 January 2020.

Simultaneously with these developments worldwide in the first nine months of the year, Turkish economy completed balancing process, thanks to the New Economy Program which is implemented with great discipline. In this period, significant improvements have been achieved in matters such as inflation and current deficit. In September, Consumer Price Index (TÜFE) retreated to 9.26% annually. Thus, inflation dropped to single digits for the first time since July 2017, and reached its lowest level since January 2017. Current balance was USD 2.6 billion surplus in August. Annual current account was a total surplus of USD 5,1 billion, its historical high.

In line with the positive developments in the economy, CBRT cut the interest rates by a total of 1000 basis points, at the Monetary Policy Board meetings in July, September and October. Thus, policy interest rate retreated to 14 percent. In addition, CBRT started to use reserve requirements as a macro cautionary tool in this period, to support the financial stability. Reserve requirement ratios and the interest/accretion paid on reserve requirements are now associated with the Banks' TL loan growth.

In the third quarter of 2019 banking sector continued to support the economy, led by state-owned banks. Total assets of the industry increased from TL 3,867 billion in prior year-end, to TL 4,273 billion. In this period, our Bank's balance sheet also grew, with the support given to Turkish economy. As of the end of September, our total assets reached TL 387 billion. Most significant contribution to our asset growth was by loans. Performing loans increased by 17 percent in the first nine months, well above the industry, to TL 260 billion.

Our total commercial loans increased by 17 percent compared to prior year-end, to TL 199 billion. In this period, while meeting our customers' financing needs, we also facilitated the business of our customers, and we continued to be the power beneath the real sector. We implemented innovative products and services such as VBanko Çek and TLREF-linked commercial loans. Especially VBanko Çek, which is the first of its kind in Turkish Banking industry, undertakes to guarantee all enterprises' cheques within specified limits. At the same time, together with state-owned banks, we implemented the İVME Financing Package to support the real sector companies creating added value.

In the first nine months of 2019, individual loans increased by 18 percent, well above the industry, to TL 61 billion.

Our total deposits increased by 28 percent to TL 230 billion as of the end of September. We remained as the pioneer bank in funding outside deposits. In this period, we issued the first TLREF indexed bonds. In addition, we issued TLREF indexed additional paid-in capital notes of TL 725 million, for 10 years term, with early redemption option at the end of 5<sup>th</sup> year. Also in this period, we completed a securitization of USD 417 million for 7 years with 3-year grace period.

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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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**INFORMATION ON THE INTERIM ACTIVITY REPORT (Continued)**

While we grew our balance sheet, we also closely track the technological developments, and implement the applications to make our customers' lives easier. Today we frequently meet concepts such as block chain, open banking, artificial intelligence, robotic software etc. With our R&D center which is officially launched at the end of June 2019, we aim at using these technologies to create even more value for our stakeholders.

A new member joined our family in early November. We added voice assistant ViBi to our mobile banking application which has more than 3 million users. ViBi is developed as a 100% domestic software, resulting from detailed analysis of customer habits, based on our 65 years of experience. ViBi can be used in almost 300 types of banking transactions, including money transfer, loan application, money withdrawal-deposit with QR code, instalment and cash advance application, virtual card information and limit settings

In this period, we have crowned our success with awards from prestigious institutions. Sardis Awards, arranged for the first time this year, have been granted in September. VakıfBank Sports Club was given the Great Award. We have been given Positive Social Impact Award in Corporate Social Responsibility category. In addition, our Individual Term Deposits Pricing and Marketing Project is granted two awards in the categories of Best Technology Usage in Financial Services Sector-Customer Services, and Marketing Solution, at Stevie Awards which is one of the most prestigious international business award organizations.

With our effective balance sheet management and competent human resources, VakıfBank will continue to contribute in the sustainable growth of Turkish economy, and be the strength beneath the real economy and households, as always. I would like to thank to our valuable customers, shareholders and dedicated employees and our Board of Directors and all our social stakeholders.

Best regards,

**Abdi Serdar ÜSTÜNSALİH**  
**General Manager and Board of Directors Executive Member**

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

INFORMATION ON THE INTERIM ACTIVITY REPORT (Continued)

Significant Financial Indicators (Unconsolidated)

BALANCE SHEET (Million TL)	SEPTEMBER 2019	DECEMBER 2018	CHANGE (%)
<b>TOTAL ASSETS</b>	386,845	331,356	16.75
<b>SECURITIES PORTFOLIO</b>	64,100	49,054	30.67
<b>LOANS (*)</b>	259,944	221,607	17.30
- Commercial Loans	199,429	170,195	17.18
- Retail Loans	60,515	51,412	17.71
<b>DEPOSITS</b>	229,647	179,408	28.00
- Term deposits	183,389	143,326	27.95
- Demand deposits	46,258	36,082	28.20
<b>FUNDS BORROWED</b>	38,248	41,350	(7.50)
<b>SUBORDINATED LOAN</b>	18,472	13,022	41.85
<b>SECURITIES ISSUED (NET)</b>	27,522	22,347	23.16
<b>EQUITY RESOURCES</b>	30,515	28,350	7.64
<b>NON-CASH LOANS</b>	70,210	65,165	7.74

INCOME STATEMENT SUMMARY (Million TL)	SEPTEMBER 2019	SEPTEMBER 2018	CHANGE (%)
Financial period's Net Profit/ Loss	1,522	3,110	(51.06)

INDICATOR RATIOS (%)	SEPTEMBER 2019	DECEMBER 2018
<b>TOTAL LOANS/ ASSETS (*)</b>	67.20	66.88
<b>LOAN/ DEPOSIT (*)</b>	113.19	123.52
<b>NON-PERFORMING LOANS</b>	5.23	4.65
<b>CAPITAL ADEQUACY RATIO</b>	17.03	16.99
<b>RETURN ON AVERAGE ASSETS (ROAA) (**)</b>	0.57	1.38
<b>RETURN ON AVERAGE EQUITY (ROAE) (**)</b>	6.89	16.10

(\*) Excluding non-performing loans

(\*\*) Calculations are annualized.

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

CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019

INFORMATION ON THE INTERIM ACTIVITY REPORT (Continued)

Significant Financial Indicators (Consolidated)

BALANCE SHEET (Million TL)	SEPTEMBER 2019	DECEMBER 2018	CHANGE (%)
<b>TOTAL ASSETS</b>	398,909	344,638	15.75
<b>SECURITIES PORTFOLIO</b>	66,915	51,077	31.01
<b>LOANS (*)</b>	265,829	228,750	16.21
- Commercial Loans	205,309	177,333	15.78
- Retail Loans	60,520	51,418	17.70
<b>DEPOSITS</b>	232,007	182,476	27.14
- Term deposits	185,058	145,763	26.96
- Demand deposits	46,949	36,713	27.88
<b>FUNDS BORROWED</b>	41,354	45,433	(8.98)
<b>SUBORDINATED LOAN</b>	18,472	13,022	41.85
<b>SECURITIES ISSUED (NET)</b>	27,538	22,772	20.93
<b>EQUITY RESOURCES</b>	32,005	29,106	9.96
<b>NON-CASH LOANS</b>	71,149	66,029	7.75

INCOME STATEMENT SUMMARY (Million TL)	SEPTEMBER 2019	SEPTEMBER 2018	CHANGE (%)
Financial period's Net Profit/ Loss	2,020	3,268	(38.19)

INDICATOR RATIOS (%)	SEPTEMBER 2019	DECEMBER 2018
<b>TOTAL LOANS/ ASSETS (*)</b>	66.64	66.37
<b>LOAN/ DEPOSIT (*)</b>	114.58	125.36
<b>NON-PERFORMING LOANS</b>	5.25	4.64
<b>CAPITAL ADEQUACY RATIO</b>	16.84	16.47
<b>RETURN ON AVERAGE ASSETS (ROAA) (**)</b>	0.72	1.45
<b>RETURN ON AVERAGE EQUITY (ROAE) (**)</b>	8.82	17.24

(\*) Excluding non-performing loans

(\*\*) Calculations are annualized.



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

**CONSOLIDATED INTERIM ACTIVITY REPORT AS OF SEPTEMBER 30, 2019**

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**2019 3<sup>rd</sup> Quarter Assessment**

Having continued to grow in the third quarter of 2019, our Group has increased total assets by 16.75% to TL 386,845 million. In this period, performing loans have increased by 17.30% to TL 259,944 million, where the share of performing loans in total assets is 67.20%. In breakdown of loans, commercial loans have reached TL 199,429 million while individual loans have risen to TL 60,515 million.

In the third quarter of 2019, our Group has increased deposits by 28% to TL 229,647 million.

In addition to deposits, our Group have issued commercial bills with a total nominal value of TL 16,195 million , through domestic public offer and sale to qualified investors in the first nine months of 2019. Funding we have provided from foreign countries has reached USD 4,301 million this year.

In September, our Group has issued additional paid-in capital notes of TL 725 million, linked to Turkish Lira Overnight Benchmark Rate (TLREF), for 10 years term, with early redemption option at the end of 5<sup>th</sup> year.

Our Group has taken 1 year loan of USD 140 million from Chinese Exim Bank, for the financing of foreign trade between Turkey and the People's Republic of China. In the third quarter of 2019 our Group has earned TL 1,522 million net profit for the period. Our Group's capital adequacy ratio is 17.01%.

As of 30 September 2019, our Group has a total of 946 branches and a headcount of 16,865.

After the international rating agency Fitch Ratings downgraded Turkey on 12 July 2019 from "BB" to "BB-", it has downgraded our Bank's Long Term Turkish Lira Credit Rating from "BB" to "BB-" on 19 July 2019, and affirmed other ratings of our Bank.

**Other Significant Developments**

- Our share in the capital of Güneş Sigorta A.Ş. has reached 56.39% as of August 02, 2019.
- Our share in the capital of Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. has decreased to 17.37%.
- It has been resolved that our Group subscribe by 33.33% to Platform Ortak Kartlı Sistemler A.Ş. to be established with a capital of TL 21,000,000 by partnership of 3 state banks, and the efforts to establish the company as a legal entity are in progress.

**Amendments to Articles of Association**

Article 6 "Capital" of our articles of association has been amended, and such amendment has been registered on 11.06.2019 and published on Turkish Trade Registry Journal dated June 17, 2019. Our Bank's articles of association is available on <https://www.kap.org.tr/Bildirim/768824>.