

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)**

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying consolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated balance sheet as at 31 December 2018, 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 for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the basis for the qualified opinion section below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2018 include a free provision amounting to TL 1,030,000 thousand, of which TL 530,000 thousand was recognized as expense in the current period and TL 500,000 thousand had been recognized as expense in prior periods, which is provided by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.



3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><i>Expected Credit Loss in Accordance With TFRS 9 “Financial Instruments Standard” (“TFRS 9”)</i></p> <p>The Group has total expected credit losses of TL 11,229,586 thousands in respect to loans and receivables of TL 239,879,787 thousands which represent a significant portion of the Group’s total assets in its consolidated financial statements as at 31 December 2018. Explanations and notes related to provision for impairment of loans are presented Section III Part VII, Section III Part VIII, Section V Part I-5 and Section V Part II-7 in the accompanying consolidated financial statements as at 31 December 2018.</p> <p>As of 1 January 2018, the Group started to recognize provision for impairment of loans in accordance with “TFRS 9 Financial Instruments” requirements in line with the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” as published in the Official Gazette dated 22 June 2016 numbered 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging).</p>	<p>With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We assessed the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p>Within the framework of the policies and procedures applied by the Group, together with our financial risk experts, we have checked and assessed the appropriateness of the methods used in the model developed for staging of loans and calculation of expected credit losses in accordance with TFRS 9. For forward looking assumptions (including macro-economic factors) made by the Group’s management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information. We have tested model calculations through re-performance together with our modelling specialists on a sample selection basis.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><i>Expected Credit Loss in Accordance With TFRS 9 “Financial Instruments Standard” (“TFRS 9”) (Continued)</i></p> <p>The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Group determines staging of credit identifying significant increase in credit risk with assessments and default events presented Section Three Part VII in the accompanying consolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.</p> <p>The Group has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>Our audit processes also include the following procedures:</p> <ul style="list-style-type: none"> • The basic and important estimates and the assumptions related to macroeconomic variables, significant increase in credit risk in the calculation of expected credit losses, default definition, probability of default and loss given default were assessed and tested with the help of our financial risk experts. • We have checked expected credit losses determined based on individual assessment per Group’s policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked sources for data used in expected credit losses calculations. We assessed reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. We checked the accuracy of resultant expected credit loss calculations on a sample basis. • To assess appropriateness of the Group’s determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment under TFRS 9, we have performed loan review procedures based on a selected sample. • We assessed accuracy and completeness of the disclosures in the financial statements the Group presented in relation to expected credit losses.



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p>First time application of TFRS 9</p> <p>The Group has adopted TFRS 9 to replace “TAS 39 Financial Instruments: Recognition and measurement” as of 1 January 2018. Transition resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The impact of the first application of TFRS 9 and relevant disclosures are presented in Section 3 Part 1 in the accompanying consolidated financial statements as at 31 December 2018.</p> <p>TFRS 9 Financial Instruments Standard consists of three phases:</p> <p>Phase 1 - Classification and measurement of financial assets and financial liabilities; Phase 2 - Expected credit losses and Phase 3 - Hedge accounting.</p> <p>Management assessed the business model to determine whether its financial assets are held to collect, held to collect and sell or other. For the financial assets in every business model, management has performed assessment for each type of product to conclude whether the cash flows from financial instruments fulfil the solely of payment of principal of interest criteria (‘SPPI’).</p> <p>TFRS 9 lead to an increase in complexity and in the degree of judgment required to calculate the expected credit losses. First time application of the standard, required significant judgment and interpretation especially in development of expected credit losses models. Regarding changes due to adoption of TFRS 9, explanations regarding Group’s transition to expected credit losses approach are stated in key audit matter “Expected credit losses for loans”</p> <p>The Group has elected to continue to apply the hedge accounting requirements of TAS 39.</p> <p>As first time application of TFRS 9 requires number of decision making based on interpretation and judgment, and as it is a major change in the accounting framework of the Group, we considered this as key audit matter.</p>	<p>With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following;</p> <p>We have read the Group’s TFRS 9 based classification and measurement policy for financial assets and financial liabilities, and compared it with the requirements of TFRS 9.</p> <p>We obtained and reviewed the Group’s business model assessment. We assessed criterias used to determine contracts which give rise to cash flows that are solely payments of principal and interest, and tested contracts representing product groups based on a selected sample.</p> <p>Audit procedures related to TFRS 9 expected credit losses phase and relevant models are explained in the part ‘how the key audit matter was addressed in the audit’ of key audit matter titled “Expected credit losses for loans”</p> <p>We checked the appropriateness of the opening balance adjustments and disclosures presented related to first time application of TFRS 9.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="284 555 813 591"><i>Valuation of Pension Fund Obligations</i></p> <p data-bbox="284 631 858 770">Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying consolidated financial statements as at 31 December 2018.</p> <p data-bbox="284 810 868 1532">“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The president of republic is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p data-bbox="284 1572 861 1854">During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p data-bbox="893 631 1474 846">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p data-bbox="893 887 1449 1061">We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p data-bbox="893 1102 1449 1240">Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p data-bbox="893 1281 1474 1384">In addition to the above procedures, we have reviewed disclosures made with respect to pension funds.</p>



4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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.


Zeynep Uras, SMMM
Partner

Istanbul, 26 February 2019

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S 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 YEAR ENDED DECEMBER 31, 2018**

Address : Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi
No: 7/A-B 34768 Ümraniye/İSTANBUL
Telephone : 0216 724 10 00
Fax : 0216 724 39 09
Electronic web site : www.vakifbank.com.tr
Electronic mail address : mevzuat@vakifbank.com.tr

The consolidated financial report as at and for the year ended December 31, 2018 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 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 year period, related disclosures and footnotes which have been independently audited, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, 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.

February 26, 2019

Şahap KAVCIOĞLU
Deputy Chairman of the
Board and Audit
Committee Member

Serdar TUNÇBİLEK
Board and Audit
Committee Member

Mehmet Emin ÖZCAN
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Ferkan MERDAN
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title: Burcu SÜTCÜ AKDAĞ / Manager Name-Surname/Title: Mehmet Fatih METE / Asst. Manager
Phone no : +90 216 724 31 35 Phone no : +90 216 724 31 38
Fax no : +90 216 724 49 55 Fax no : +90 216 724 49 55

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(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 December 31, 2018 and December 31, 2017, 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 December 31, 2018 and December 31, 2017 is stated below:

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

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

GENERAL INFORMATION (Continued)

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

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

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

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

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

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 FOR THE YEAR ENDED DECEMBER 31, 2018

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
Doç.Dr.Şahap KAVCIOĞLU	Deputy Chairman	August 13, 2018	PhD	24 years
Mehmet Emin ÖZCAN	Member - General Manager	June 9, 2017	Bachelor’s	35 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	30 years
Şahin UĞUR	Member	June 9, 2017	Bachelor’s	32 years
Serdar TUNÇBİLEK	Member	June 9, 2017	Bachelor’s	32 years
Dilek YÜKSEL	Member	29 March, 2016	Bachelor’s	6 years
Ömer ARISOY	Member	June 9, 2017	Bachelor’s	18 years
Dr.Cemil Ragıp ERTEM	Member	August 13, 2018	PhD	20 years
<u>Audit Committee</u>				
Doç.Dr.Şahap KAVCIOĞLU	Member	August 14, 2018	PhD	24 years
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	32 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master’s	21 years
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	34 years
<u>Assistant General Managers</u>				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations	June 13, 2006	PhD	23 years
Hasan ECESOY	Treasury Management, International Banking and Investor Relations, Teasury Management Middle Office	June 18, 2010	PhD	25 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services, SME Banking	October 23, 2013	Bachelor’s	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	Bachelor’s	30 years
Yakup ŞİMŞEK	Corporate Banking Marketing, Commercial Banking Marketing, Local Government Banking Marketing, Corporate Branches, Corporate Branches, Cash Management	September 7, 2016	Bachelor’s	23 years
H.Uğur BİLGİN	Human Resources, Corporate Development and Academy, Real Estate and Purchasing	August 1, 2017	Bachelor’s	32 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Evaluation and Rating	August 1, 2017	Master’s	24 years
İlker YEŞİL	Payments Systems Banking Marketing, Payment Systems, Digital Banking and Distribution Channels	August 1, 2017	Bachelor’s	24 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	23 years
Ersin ÖZOĞUZ	Corporate Loans Allocation and Management, Commercial Loans Allocation, Retail Loans Allocation, SME and Local Government Loans Allocation	August 1, 2017	Bachelor’s	23 years
Abdi Serdar ÜSTÜNSALİH	R&D and Digital Transformation, Core Banking Application Development Channel Management and Marketing Application Development, System Management, IT Operation and Support, IT Planning and Coordination	July 5, 2018	Master’s	28 years
Mikail HİDİR	Credit Risk Planning and Monitoring	December 26, 2018	Bachelor’s	15 years

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 FOR THE YEAR ENDED DECEMBER 31, 2018

(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.

Abdi Serdar ÜSTÜNSALİH, Senior Vice President, has been appointed as Executive Vice President by the Board decision dated July 4, 2018.

İsmail ALPTEKİN, Chairman of the Board of Directors and Sabahattin BIRDAL, Board Member and Audit Committee Member of the Bank are no longer in duty as of August 13, 2018.

Dr. Cemil Ragıp ERTEM has been selected as Board member at the 64th Ordinary General Assembly Meeting of the Bank held on August 13, 2018.

Dr. Raci KAYA has been selected as the Chairman of Board of Directors, Doç. Dr. Şahap KAVCIOĞLU has been selected as the Deputy Chairman of the Board of Directors and Audit Committee Member unanimously according to Bank Principal Agreement’s related articles at the Board Meeting of the Bank held at August 14, 2018.

Dr. Raci KAYA, the Chairman of Board of Directors, resigned from his duty following his appointment as Executive Director of International Monetary Fund (IMF), representing the country group in the IMF’s executive directorate, as of October 18, 2018.

At the meeting of The Parent Bank’s Board of Directors on January 24, 2019, it is decided to reduce the number of Executive Vice Presidents to 12 from 14, and Mustafa SAYDAM and Osman DEMREN, who were serving as Executive Vice Presidents, resigned from their duties.

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

<u>Shareholders</u>	<u>Nominal Value of Shares</u>	<u>Share Percentage</u>	<u>Paid Shares (Nominal)</u>	<u>Unpaid Shares</u>
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.

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 FOR THE YEAR ENDED DECEMBER 31, 2018

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

GENERAL INFORMATION (Continued)

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

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

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

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

As at December 31, 2018, The Parent Bank has 948 domestic, 3 foreign, in total 951 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at December 31, 2018, The Parent Bank has 16,767 employees (December 31, 2017: 16,097 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 year ended December 31, 2018, 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.

Vakıf Portföy Yönetimi AŞ was classified from the Subsidiaries account to under Non-Currents Assets or Disposal Groups "Held For Sale" And "From Discontinued Operations and it has been included to consolidation on held for sale transactions accounts.

As at and for the year ended December 31, 2018, 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
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS AT DECEMBER 31, 2018

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

		Audited Current Period December 31, 2018		
ASSETS	Notes	TL	FC	Total
I. FINANCIAL ASSETS (Net)		50,284,464	44,372,534	94,656,998
1.1 Cash and cash equivalents	V-I-1	6,036,689	33,165,715	39,202,404
1.1.1 Cash and balances at Central Bank	V-I-1	5,466,368	27,025,089	32,491,457
1.1.2 Banks	V-I-3	563,482	6,140,626	6,704,108
1.1.3 Receivables from Money Markets		6,839	-	6,839
1.2 Financial assets at fair value through profit or loss		147,706	76,799	224,505
1.2.1 Public debt securities		3,131	7,033	10,164
1.2.2 Equity instruments		2,914	69,766	72,680
1.2.3 Other financial assets		141,661	-	141,661
1.3 Financial assets at fair value through other comprehensive income	V-I-4	7,727,407	3,145,027	10,872,434
1.3.1 Public debt securities		7,662,348	2,161,026	9,823,374
1.3.2 Equity instruments		-	3,451	3,451
1.3.3 Other financial assets		65,059	980,550	1,045,609
1.4 Financial assets measured at amortised cost	V-I-6	32,377,288	7,603,222	39,980,510
1.4.1 Public debt securities		32,326,808	7,413,026	39,739,834
1.4.2 Other financial assets		50,480	190,196	240,676
1.5 Derivative financial assets	V-I-2	4,031,081	382,302	4,413,383
1.5.1 Derivative financial assets at fair value through profit or loss	V-I-2	4,031,081	382,302	4,413,383
1.5.2 Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6 Non-performing financial assets		-	-	-
1.6 Allowance for expected credit losses (-)	V-I-18	35,707	531	36,238
II. LOANS (Net)	V-I-5	142,756,386	85,893,815	228,650,201
2.1 Loans		139,797,214	83,536,354	223,333,568
2.1.1 Loans measured at amortised cost		139,797,214	83,536,354	223,333,568
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions	V-I-10	528,938	2,252,664	2,781,602
2.2.1 Finance lease receivables		692,191	2,512,093	3,204,284
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		163,253	259,429	422,682
2.3 Factoring receivables		2,537,604	97,705	2,635,309
2.3.1 Factoring receivables measured at amortised cost		2,537,604	97,705	2,635,309
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans		10,968,253	161,055	11,129,308
2.5 Allowance for expected credit losses (-)		11,075,623	153,963	11,229,586
2.5.1 12-Month expected credit losses (Stage 1)		1,606,631	29,611	1,636,242
2.5.2 Significant increase in credit risk (Stage 2)		1,325,552	1,028	1,326,580
2.5.3 Credit-Impaired (Stage 3)		8,143,440	123,324	8,266,764
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	V-I-16	1,568,113	-	1,568,113
3.1 Held for sale		1,568,113	-	1,568,113
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,125,286	3	1,125,289
4.1 Investments in associates (Net)	V-I-7	805,406	3	805,409
4.1.1 Associates accounted by using equity method		363,641	-	363,641
4.1.2 Non-consolidated associates		441,765	3	441,768
4.2 Investments in subsidiaries (Net)	V-I-8	319,880	-	319,880
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		319,880	-	319,880
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	V-I-9	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)	V-I-12	2,832,630	11,876	2,844,506
VI. INTANGIBLE ASSETS AND GOODWILL (Net)	V-I-13	286,176	335	286,511
6.1 Goodwill		14,631	-	14,631
6.2 Other		271,545	335	271,880
VII. INVESTMENT PROPERTIES (Net)	V-I-14	607,400	-	607,400
VIII. CURRENT TAX ASSETS	V-I-15	2	-	2
IX. DEFERRED TAX ASSETS	V-I-15	188,968	-	188,968
X. OTHER ASSETS	V-I-17	6,088,512	8,621,960	14,710,472
TOTAL ASSETS		205,737,937	138,900,523	344,638,460

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 DECEMBER 31, 2017

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

ASSETS	Notes	Audited Prior Period December 31, 2017		Total
		TL	FC	
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,442	24,634,804	28,656,246
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		1,926,000	150,223	2,076,223
2.1 Financial assets held for trading purpose		1,926,000	150,223	2,076,223
2.1.1 Debt securities issued by the governments		203	5,855	6,058
2.1.2 Equity securities		939	-	939
2.1.3 Derivative financial assets held for trading purpose	V-I-2	1,801,883	144,368	1,946,251
2.1.4 Other securities		122,975	-	122,975
2.2 Financial assets designated at fair value through profit or loss		-	-	-
2.2.1 Debt securities issued by the governments		-	-	-
2.2.2 Equity securities		-	-	-
2.2.3 Other securities		-	-	-
2.2.4 Loans		-	-	-
III. BANKS	V-I-3	1,176,896	12,146,903	13,323,799
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		1,659,062	-	1,659,062
4.1 Interbank money market placements		1,652,102	-	1,652,102
4.2 Istanbul Stock Exchange money market placements		3,474	-	3,474
4.3 Receivables from reverse repurchase agreements		3,486	-	3,486
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,412,036	2,158,348	14,570,384
5.1 Equity securities		15	43,355	43,370
5.2 Debt securities issued by the governments		12,412,021	1,709,676	14,121,697
5.3 Other securities		-	405,317	405,317
VI. LOANS AND RECEIVABLES	V-I-5	131,255,058	55,293,726	186,548,784
6.1 Performing loans and receivables	V-I-5	130,177,791	55,264,739	185,442,530
6.1.1 Loans provided to risk group		17,077	1,051	18,128
6.1.2 Debt securities issued by the governments		-	-	-
6.1.3 Other		130,160,714	55,263,688	185,424,402
6.2 Loans under follow-up		7,819,393	123,793	7,943,186
6.3 Specific provisions (-)		6,742,126	94,806	6,836,932
VII. FACTORING RECEIVABLES		1,922,548	269,754	2,192,302
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071
8.1 Debt securities issued by the governments		12,235,406	4,286,627	16,522,033
8.2 Other securities		-	244,038	244,038
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	384,451	3	384,454
9.1 Associates, consolidated per equity method		323,654	-	323,654
9.2 Unconsolidated associates		60,797	3	60,800
9.2.1 Financial associates		48,444	-	48,444
9.2.2 Non-Financial associates		12,353	3	12,356
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	279,647	-	279,647
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		279,647	-	279,647
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-
11.2 Unconsolidated joint-ventures		-	-	-
11.2.1 Financial joint-ventures		-	-	-
11.2.2 Non-financial joint-ventures		-	-	-
XII. LEASE RECEIVABLES	V-I-10	474,045	1,406,155	1,880,200
12.1 Finance lease receivables		611,982	1,565,781	2,177,763
12.2 Operational lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		137,937	159,626	297,563
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE		-	-	-
13.1 Fair value hedges		-	-	-
13.2 Cash flow hedges		-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	1,722,037	9,372	1,731,409
XV. INTANGIBLE ASSETS (Net)	V-I-13	255,160	302	255,462
15.1 Goodwill		-	-	-
15.2 Other intangibles		255,160	302	255,462
XVI. INVESTMENT PROPERTIES (Net)	V-I-12	423,498	-	423,498
XVII. TAX ASSETS	V-I-15	63,612	-	63,612
17.1 Current tax assets	V-I-15	1,016	-	1,016
17.2 Deferred tax assets	V-I-15	62,596	-	62,596
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,312,728	-	1,312,728
18.1 Assets held for sale		1,312,728	-	1,312,728
18.2 Assets related to the discontinued operations		-	-	-
XIX. OTHER ASSETS	V-I-17	4,891,487	3,843,638	8,735,125
TOTAL ASSETS		176,415,113	104,443,893	280,859,006

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 DECEMBER 31, 2018

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

	LIABILITIES AND EQUITY	Notes	Audited Current Period December 31, 2018		
			TL	FC	Total
I.	DEPOSITS	V-II-1	108,319,277	74,156,432	182,475,709
II.	LOANS RECEIVED	V-II-3	2,639,581	42,793,276	45,432,857
III.	MONEY MARKET FUNDS		26,863,700	2,260,172	29,123,872
IV.	MARKETABLE SECURITIES (Net)	V-II-3	8,111,583	14,660,908	22,772,491
4.1	Bills		4,319,247	-	4,319,247
4.2	Asset backed securities		62,960	-	62,960
4.3	Bonds		3,729,376	14,660,908	18,390,284
V.	FUNDS		3,054	-	3,054
5.1	Borrower funds		-	-	-
5.2	Other		3,054	-	3,054
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	V-II-2	2,121,617	430,631	2,552,248
7.1	Derivative financial liabilities at fair value through profit or loss		2,121,617	430,631	2,552,248
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
VIII.	FACTORING PAYABLES		903	-	903
IX.	LEASE PAYABLES	V-II-5	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	PROVISIONS	V-II-7	5,783,951	44,704	5,828,655
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		1,084,477	3,641	1,088,118
10.3	Insurance technical reserves (Net)		3,428,842	18,220	3,447,062
10.4	Other provisions		1,270,632	22,843	1,293,475
XI.	CURRENT TAX LIABILITIES	V-II-8	855,863	1,301	857,164
XII.	DEFERRED TAX LIABILITIES		31,040	681	31,721
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-9	1,546	-	1,546
13.1	Held for sale		1,546	-	1,546
13.2	Related to discontinued operations		-	-	-
XIV.	SUBORDINATED DEBT	V-II-10	5,668,121	7,353,902	13,022,023
14.1	Loans		-	-	-
14.2	Other debt instruments		5,668,121	7,353,902	13,022,023
XV.	OTHER LIABILITIES	V-II-4	7,926,529	5,503,935	13,430,464
XVI.	SHAREHOLDERS' EQUITY	V-II-11	28,533,753	572,000	29,105,753
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2	Capital reserves		815,709	-	815,709
16.2.1	Equity share premiums		724,276	-	724,276
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		91,433	-	91,433
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1,617,926	578	1,618,504
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(126,314)	8,545	(117,769)
16.5	Profit reserves		18,123,916	327,015	18,450,931
16.5.1	Legal reserves		2,079,765	10,669	2,090,434
16.5.2	Statutory reserves		6,337	-	6,337
16.5.3	Extraordinary reserves		15,689,472	5,389	15,694,861
16.5.4	Other profit reserves		348,342	310,957	659,299
16.6	Profit or loss		4,953,281	143,423	5,096,704
16.6.1	Prior years' profits or losses		440,987	111,439	552,426
16.6.2	Current period net profit or loss		4,512,294	31,984	4,544,278
16.7	Minority interests		649,235	92,439	741,674
TOTAL LIABILITIES AND EQUITY			196,860,518	147,777,942	344,638,460

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**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 DECEMBER 31, 2017

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

	Notes	Audited Prior Period December 31, 2017		
		TL	FC	Total
LIABILITIES AND EQUITY				
I. DEPOSITS	V-II-1	102,796,242	55,191,624	157,987,866
1.1 Deposits of risk group		2,079,489	146,601	2,226,090
1.2 Other deposits		100,716,753	55,045,023	155,761,776
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE	V-II-2	1,011,508	169,034	1,180,542
III. FUNDS BORROWED	V-II-3	2,257,541	29,130,247	31,387,788
IV. INTERBANK MONEY MARKET		18,936,344	3,752,731	22,689,075
4.1 Interbank money market takings		11,662,376	1,631,693	13,294,069
4.2 Istanbul Stock Exchange money market takings		237,318	-	237,318
4.3 Obligations under repurchase agreements		7,036,650	2,121,038	9,157,688
V. SECURITIES ISSUED (Net)	V-II-3	6,967,544	12,903,215	19,870,759
5.1 Bills		3,996,077	-	3,996,077
5.2 Asset backed securities		-	-	-
5.3 Bonds		2,971,467	12,903,215	15,874,682
VI. FUNDS		3,206	-	3,206
6.1 Funds against borrower's note		-	-	-
6.2 Other		3,206	-	3,206
VII. MISCELLANEOUS PAYABLES		6,343,340	989,690	7,333,030
VIII. OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	947,498	3,029,795	3,977,293
IX. FACTORING PAYABLES		221	216	437
X. LEASE PAYABLES (Net)	V-II-5	-	-	-
10.1 Finance lease payables		-	-	-
10.2 Operational lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance leasing expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE		-	-	-
11.1 Fair value hedges		-	-	-
11.2 Cash flow hedges		-	-	-
11.3 Hedges of net investment in foreign operations		-	-	-
XII. PROVISIONS	V-II-7	6,084,250	42,791	6,127,041
12.1 General provisions		1,872,826	12,667	1,885,493
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		852,775	2,763	855,538
12.4 Insurance technical provisions (Net)		2,631,507	14,011	2,645,518
12.5 Other provisions		727,142	13,350	740,492
XIII. TAX LIABILITIES		703,795	58,072	761,867
13.1 Current tax liabilities	V-II-8	686,133	670	686,803
13.2 Deferred tax liabilities		17,662	57,402	75,064
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)	V-II-9	-	-	-
14.1 Payables related to the assets held for sale		-	-	-
14.2 Payables related to the discontinued operations		-	-	-
XV. SUBORDINATED LOANS	V-II-10	528,188	5,388,949	5,917,137
XVI. EQUITY	V-II-11	22,991,149	631,816	23,622,965
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2 Capital reserves		1,582,247	177,252	1,759,499
16.2.1 Share premium		724,269	-	724,269
16.2.2 Share cancellation profits		-	-	-
16.2.3 Valuation differences of the marketable securities	V-II-11	(240,378)	177,252	(63,126)
16.2.4 Revaluation surplus on tangible assets		1,046,956	-	1,046,956
16.2.5 Revaluation surplus on intangible assets		-	-	-
16.2.6 Revaluation surplus on investment properties		-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		3,913	-	3,913
16.2.8 Hedging reserves (effective portion)		-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-
16.2.10 Other capital reserves		47,487	-	47,487
16.3 Profit reserves		14,550,334	254,763	14,805,097
16.3.1 Legal reserves		1,700,302	9,553	1,709,855
16.3.2 Status reserves		6,337	-	6,337
16.3.3 Extraordinary reserves		12,432,750	5,389	12,438,139
16.3.4 Other profit reserves		410,945	239,821	650,766
16.4 Profit or loss		3,753,445	127,821	3,881,266
16.4.1 Prior years' profit/loss		(154,298)	103,132	(51,166)
16.4.2 Current period's profit/loss		3,907,743	24,689	3,932,432
16.5 Non-controlling interest		605,123	71,980	677,103
TOTAL LIABILITIES AND EQUITY		169,570,826	111,288,180	280,859,006

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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 OFF-BALANCE SHEET

AS AT 31 DECEMBER 2018

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

		Audited Current Period December 31, 2018			
		Notes	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		96,501,074	145,967,734	242,468,808
I.	GUARANTEES AND SURETIES	V-III-2-4	37,626,296	28,402,701	66,028,997
1.1.	Letters of guarantee		36,896,905	15,055,991	51,952,896
1.1.1.	Guarantees subject to State Tender Law		3,807,039	5,902,336	9,709,375
1.1.2.	Guarantees given for foreign trade operations		1,314,771	-	1,314,771
1.1.3.	Other letters of guarantee		31,775,095	9,153,655	40,928,750
1.2.	Bank acceptances		24,005	2,948,104	2,972,109
1.2.1.	Import letter of acceptance		-	586,987	586,987
1.2.2.	Other bank acceptances		24,005	2,361,117	2,385,122
1.3.	Letters of credit		51,010	10,148,777	10,199,787
1.3.1.	Documentary letters of credit		51,010	10,148,777	10,199,787
1.3.2.	Other letters of credit		-	-	-
1.4.	Guaranteed pre-financings		-	4,199	4,199
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Marketable securities underwriting commitments		-	-	-
1.7.	Factoring related guarantees		243,674	127,759	371,433
1.8.	Other guarantees		58,309	38,904	97,213
1.9.	Other sureties		352,393	78,967	431,360
II.	COMMITMENTS		38,193,153	27,237,668	65,430,821
2.1.	Irrevocable commitments	V-III-1	33,843,142	2,634,285	36,477,427
2.1.1.	Asset purchase commitments	V-III-1	1,501,627	2,252,627	3,754,254
2.1.2.	Deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries		2,250	-	2,250
2.1.4.	Loan granting commitments	V-III-1	14,103,024	2,325	14,105,349
2.1.5.	Securities issuance brokerage commitments		-	2,325	2,325
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Commitments for cheque payments		-	-	-
2.1.8.	Tax and fund obligations on export commitments	V-III-1	1,979,217	-	1,979,217
2.1.9.	Commitments for credit card limits		-	-	-
2.1.10.	Commitments for credit card and banking operations promotions	V-III-1	13,549,649	-	13,549,649
2.1.11.	Receivables from "short" sale commitments on securities		571,282	-	571,282
2.1.12.	Payables from "short" sale commitments on securities		-	-	-
2.1.13.	Other irrevocable commitments		2,136,093	377,008	2,513,101
2.2.	Revocable commitments		4,350,011	24,603,383	28,953,394
2.2.1.	Revocable loan granting commitments		4,350,011	24,603,383	28,953,394
2.2.2.	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		20,681,625	90,327,365	111,008,990
3.1.	Derivative financial instruments held for risk management		-	-	-
3.1.1.	Fair value hedges		-	-	-
3.1.2.	Cash flow hedges		-	-	-
3.1.3.	Net foreign investment hedges		-	-	-
3.2.	Trading derivatives		20,681,625	90,327,365	111,008,990
3.2.1.	Forward foreign currency purchases/sales		1,201,285	1,543,434	2,744,719
3.2.1.1.	Forward foreign currency purchases		602,318	771,805	1,374,123
3.2.2.	Forward foreign currency sales		598,967	771,629	1,370,596
3.2.2.1.	Currency and interest rate swaps		13,620,376	74,478,250	88,098,626
3.2.2.1.	Currency swaps-purchases		2,515,004	20,334,407	22,849,411
3.2.2.2.	Currency swaps-sales		7,805,372	10,611,535	18,416,907
3.2.2.3.	Interest rate swaps-purchases		1,650,000	21,766,154	23,416,154
3.2.2.4.	Interest rate swaps-sales		1,650,000	21,766,154	23,416,154
3.2.3.	Currency, interest rate and security options		697,904	1,784,623	2,482,527
3.2.3.1.	Currency call options		349,778	865,498	1,215,276
3.2.3.2.	Currency put options		348,126	919,125	1,267,251
3.2.3.3.	Interest rate call options		-	-	-
3.2.3.4.	Interest rate put options		-	-	-
3.2.3.5.	Security call options		-	-	-
3.2.3.6.	Security put options		-	-	-
3.2.4.	Currency futures		-	-	-
3.2.4.1.	Currency futures-purchases		-	-	-
3.2.4.2.	Currency futures-sales		-	-	-
3.2.5.	Interest rate futures		-	-	-
3.2.5.1.	Interest rate futures-purchases		-	-	-
3.2.5.2.	Interest rate futures-sales		-	-	-
3.2.6.	Other		5,162,060	12,521,058	17,683,118
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,560,609,530	1,221,238,103	2,781,847,633
IV.	ITEMS HELD IN CUSTODY		54,906,337	7,564,236	62,470,573
4.1.	Customers' securities held		1,907,458	-	1,907,458
4.2.	Investment securities held in custody		37,070,534	395,353	37,465,887
4.3.	Checks received for collection		9,579,919	1,224,880	10,804,799
4.4.	Commercial notes received for collection		4,883,607	1,301,631	6,185,238
4.5.	Other assets received for collection		2,152	211	2,363
4.6.	Assets received through public offering		-	-	-
4.7.	Other items under custody		114,532	3,066,202	3,180,734
4.8.	Custodians		1,348,135	1,575,959	2,924,094
V.	PLEDGED ITEMS		428,113,720	204,235,157	632,348,877
5.1.	Securities		355,159	9,824	364,983
5.2.	Guarantee notes		684,888	1,135,681	1,820,569
5.3.	Commodities		32,405,583	1,711,768	34,117,351
5.4.	Warranties		-	-	-
5.5.	Real estates		341,011,234	163,744,146	504,755,380
5.6.	Other pledged items		52,811,517	37,364,638	90,176,155
5.7.	Pledged items-depository		845,339	269,100	1,114,439
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES		1,077,589,473	1,009,438,710	2,087,028,183
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,657,110,604	1,367,205,837	3,024,316,441

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED OFF-BALANCE SHEET

AS AT 31 DECEMBER 2017

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

	Notes	Audited Prior Period December 31, 2017		Total
		TL	FC	
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)	80,999,013	81,421,461	162,420,474
I.	GUARANTEES AND SURETIES	32,656,344	18,667,358	51,323,702
1.1	Letters of guarantee	32,035,061	8,135,927	40,170,988
1.1.1	Guarantees subject to State Tender Law	3,163,898	4,099,756	7,263,654
1.1.2	Guarantees given for foreign trade operations	1,053,872	-	1,053,872
1.1.3	Other letters of guarantee	27,817,291	4,036,171	31,853,462
1.2	Bank acceptances	44,700	1,510,854	1,555,554
1.2.1	Import letter of acceptance	671	519,399	520,070
1.2.2	Other bank acceptances	44,029	991,455	1,035,484
1.3	Letters of credit	30,161	8,963,991	8,994,152
1.3.1	Documentary letters of credit	30,161	8,963,991	8,994,152
1.3.2	Other letters of credit	-	-	-
1.4	Guaranteed pre-financings	-	3,006	3,006
1.5	Endorsements	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey	-	-	-
1.5.2	Other endorsements	-	-	-
1.6	Marketable securities underwriting commitments	-	-	-
1.7	Factoring related guarantees	225,380	7,528	232,908
1.8	Other guarantees	81,074	43,996	125,070
1.9	Other sureties	239,968	2,056	242,024
II.	COMMITMENTS	31,872,658	17,873,251	49,745,909
2.1	Irrevocable commitments	28,813,083	1,547,642	30,360,725
2.1.1	Asset purchase commitments	793,979	961,190	1,755,169
2.1.2	Deposit purchase and sales commitments	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries	-	-	-
2.1.4	Loan granting commitments	11,843,577	74,556	11,918,133
2.1.5	Securities issuance brokerage commitments	-	-	-
2.1.6	Commitments for reserve deposit requirements	-	-	-
2.1.7	Commitments for cheque payments	2,542,741	-	2,542,741
2.1.8	Tax and fund obligations on export commitments	-	-	-
2.1.9	Commitments for credit card limits	10,534,862	-	10,534,862
2.1.10	Commitments for credit card and banking operations promotions	761,674	-	761,674
2.1.11	Receivables from "short" sale commitments on securities	-	-	-
2.1.12	Payables from "short" sale commitments on securities	-	-	-
2.1.13	Other irrevocable commitments	2,336,250	511,896	2,848,146
2.2	Revocable commitments	3,059,575	16,325,609	19,385,184
2.2.1	Revocable loan granting commitments	3,059,575	16,325,609	19,385,184
2.2.2	Other revocable commitments	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	16,470,011	44,880,852	61,350,863
3.1	Derivative financial instruments held for risk management	-	-	-
3.1.1	Fair value hedges	-	-	-
3.1.2	Cash flow hedges	-	-	-
3.1.3	Net foreign investment hedges	-	-	-
3.2	Trading derivatives	16,470,011	44,880,852	61,350,863
3.2.1	Forward foreign currency purchases/sales	1,152,837	1,617,661	2,770,498
3.2.1.1	Forward foreign currency purchases	576,772	808,889	1,385,661
3.2.2	Forward foreign currency sales	576,065	808,772	1,384,837
3.2.2.1	Currency and interest rate swaps	9,715,102	31,666,680	41,381,782
3.2.2.1.1	Currency swaps-purchases	3,085,946	11,883,240	14,969,186
3.2.2.1.2	Currency swaps-sales	4,289,156	5,162,344	9,451,500
3.2.2.2	Interest rate swaps-purchases	1,170,000	7,310,548	8,480,548
3.2.2.2.1	Interest rate swaps-sales	1,170,000	7,310,548	8,480,548
3.2.3	Currency, interest rate and security options	426,094	431,542	857,636
3.2.3.1	Currency call options	412,706	13,400	426,106
3.2.3.2	Currency put options	13,388	418,142	431,530
3.2.3.3	Interest rate call options	-	-	-
3.2.3.4	Interest rate put options	-	-	-
3.2.3.5	Security call options	-	-	-
3.2.3.6	Security put options	-	-	-
3.2.4	Currency futures	-	-	-
3.2.4.1	Currency futures-purchases	-	-	-
3.2.4.2	Currency futures-sales	-	-	-
3.2.5	Interest rate futures	-	-	-
3.2.5.1	Interest rate futures-purchases	-	-	-
3.2.5.2	Interest rate futures-sales	-	-	-
3.2.6	Other	5,175,978	11,164,969	16,340,947
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	1,287,928,890	807,052,180	2,094,981,070
IV.	ITEMS HELD IN CUSTODY	59,316,964	5,617,699	64,934,663
4.1	Customers' securities held	923,511	-	923,511
4.2	Investment securities held in custody	43,471,833	135,880	43,607,713
4.3	Checks received for collection	10,617,821	2,607,299	13,225,120
4.4	Commercial notes received for collection	2,959,313	993,297	3,952,610
4.5	Other assets received for collection	2,152	151	2,303
4.6	Assets received through public offering	-	-	-
4.7	Other items under custody	140,536	743,875	884,411
4.8	Custodians	1,201,798	1,137,197	2,338,995
V.	PLEDGED ITEMS	315,488,892	132,707,352	448,196,244
5.1	Securities	740,033	5,090	745,123
5.2	Guarantee notes	708,473	524,748	1,233,221
5.3	Commodities	33,014,517	759,683	33,774,200
5.4	Warranties	-	-	-
5.5	Real estates	240,571,560	108,037,406	348,608,966
5.6	Other pledged items	39,693,039	23,254,495	62,947,534
5.7	Pledged items-depository	761,270	125,930	887,200
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES	913,123,034	668,727,129	1,581,850,163
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)	1,368,927,903	888,473,641	2,257,401,544

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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 FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	Audited Current Period January 1, 2018- December 31, 2018
I. INTEREST INCOME	V-IV-1	34,957,243
1.1 Interest on loans	V-IV-1	27,902,523
1.2 Interest received from reserve deposits		389,604
1.3 Interest received from banks	V-IV-1	329,852
1.4 Interest received from money market transactions		20,725
1.5 Interest received from marketable securities portfolio	V-IV-1	6,090,312
1.5.1 Financial assets at fair value through profit or loss		15,143
1.5.2 Financial assets at fair value through other comprehensive income		1,051,007
1.5.3 Financial assets measured at amortised cost		5,024,162
1.6 Finance lease income		200,059
1.7 Other interest income		24,168
II. INTEREST EXPENSES		23,529,737
2.1 Interest on deposits	V-IV-2	15,537,418
2.2 Interest on funds borrowed	V-IV-2	1,599,774
2.3 Interest on money market transactions		3,557,193
2.4 Interest on securities issued	V-IV-2	2,094,967
2.5 Other interest expenses		740,385
III. NET INTEREST INCOME/EXPENSE (I - II)		11,427,506
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		2,151,048
4.1 Fees and commissions received		3,114,751
4.1.1 Non-cash loans		479,388
4.1.2 Other		2,635,363
4.2 Fees and commissions paid		963,703
4.2.1 Non-cash loans		5,854
4.2.2 Other		957,849
V. PERSONNEL EXPENSES (-)		2,452,360
VI. DIVIDEND INCOME	V-IV-3	50,011
VII. TRADING PROFIT/LOSS (Net)	V-IV-4	822,830
7.1 Profit/losses from capital market transactions	V-IV-4	158,123
7.2 Profit/losses from derivative financial transactions	V-IV-4	271,057
7.3 Foreign exchange profit/losses	V-IV-4	393,650
VIII. OTHER OPERATING INCOME	V-IV-5	3,945,443
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		15,944,478
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-6	5,043,269
XI. OTHER OPERATING EXPENSES (-)	V-IV-7	5,268,012
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		5,633,197
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		56,576
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-8	5,689,773
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-11	(1,085,295)
17.1 Current tax provision	V-IV-11	(840,854)
17.2 Expense effect of deferred tax (+)	V-IV-11	(1,436,804)
17.3 Income effect of deferred tax (-)	V-IV-11	1,192,363
XIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	V-IV-12	4,604,478
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-
19.3 Other income from discontinued operations		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1 Expenses on assets held for sale		-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-
20.3 Other expenses from discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Current tax provision		-
22.2 Expense effect of deferred tax (+)		-
22.3 Income effect of deferred tax (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	V-IV-12	4,604,478
24.1 Profit/Loss per share		4,544,278
24.2 Non-controlling interest(-)		60,200
Earnings per 100 Share (full TL)	III-XXIV	1.8177

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**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 INCOME FOR THE YEAR ENDED DECEMBER 31, 2017**

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

		Notes	Audited Prior Period January 1, 2017- December 31, 2017
I.	INTEREST INCOME		22,045,179
1.1	Interest income from loans	V-IV-1	18,315,576
1.2	Interest income from reserve deposits		221,541
1.3	Interest income from banks	V-IV-1	210,696
1.4	Interest income from money market transactions		35,753
1.5	Interest income from securities portfolio	V-IV-1	2,914,538
1.5.1	Trading financial assets		19,051
1.5.2	Financial assets designated at fair value through profit or loss		-
1.5.3	Available-for-sale financial assets		1,735,213
1.5.4	Held-to-maturity investments		1,160,274
1.6	Finance lease income		138,960
1.7	Other interest income		208,115
II.	INTEREST EXPENSE	V-IV-2	13,073,305
2.1	Interest expense on deposits	V-IV-2	9,200,620
2.2	Interest expense on funds borrowed	V-IV-2	841,072
2.3	Interest expense on money market transactions		1,553,389
2.4	Interest expense on securities issued	V-IV-2	1,059,739
2.5	Other interest expenses		418,485
III.	NET INTEREST INCOME (I – II)		8,971,874
IV.	NET FEES AND COMMISSIONS INCOME		1,235,550
4.1	Fees and commissions received		1,896,758
4.1.1	Non-cash loans		300,942
4.1.2	Others		1,595,816
4.2	Fees and commissions paid		661,208
4.2.1	Non-cash loans		4,190
4.2.2	Others		657,018
V.	DIVIDEND INCOME	V-IV-3	47,481
VI.	TRADING INCOME/LOSSES (Net)	V-IV-4	194,447
6.1	Trading account income/losses	V-IV-4	48,446
6.2	Income/losses from derivative financial instruments	V-IV-4	(15,681)
6.3	Foreign exchange gains/losses	V-IV-4	161,682
VII.	OTHER OPERATING INCOME	V-IV-5	3,085,245
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		13,534,597
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	2,842,558
X.	OTHER OPERATING EXPENSES (-)	V-IV-7	5,734,147
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		4,957,892
XII.	INCOME RESULTED FROM MERGERS		-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		51,481
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)	V-IV-8	5,009,373
XVI.	CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-11	(992,027)
16.1	Current tax charges	V-IV-11	(831,655)
16.2	Deferred tax credits	V-IV-11	(160,372)
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-12	4,017,346
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-
18.1	Income from investment properties		-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-
18.3	Other income from discontinued activities		-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS(-)		-
19.1	Investment property expenses		-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-
19.3	Other expenses from discontinued activities		-
XX.	INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX)		-
XXI.	DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)		-
21.1	Current tax charge		-
21.2	Deferred tax charge		-
XXII.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI)		-
XXIII.	NET PROFIT/LOSS (XVI+XXII)	V-IV-12	4,017,346
23.1.	Equity holders of the Bank		3,932,432
23.2.	Non-controlling interest(-)		84,914
	Earnings per 100 Share (full TL)	III-XXIV	1.5730

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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 YEAR ENDED DECEMBER 31, 2018

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

		Audited Current Period January 1, 2018- December 31, 2018
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I.	PROFIT (LOSS)	4,604,478
II.	OTHER COMPREHENSIVE INCOME	392,890
2.1.	Other comprehensive income that will not be reclassified to profit or loss	546,726
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	226,695
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(13,278)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	408,438
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(75,129)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(153,836)
2.2.1.	Exchange Differences on Translation	102,292
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(185,557)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	(102,292)
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	31,721
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	4,997,368

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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 ITEMS ACCOUNTED UNDER SHAREHOLDERS'
EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

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

		Audited Prior Period January 1, 2017- December 31, 2017
GAINS AND LOSSES RECOGNIZED IN EQUITY		
I.	VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION	86,257
	DIFFERENCES OF MARKETABLE SECURITIES	
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	333
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV.	CURRENCY TRANSLATION DIFFERENCES	(27,252)
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-
VIII.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS	88,820
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(21,448)
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	126,710
XI.	CURRENT PERIOD'S PROFIT/(LOSS)	4,017,346
11.1	Change in fair value of securities (transfers to the statement of income)	(34,098)
11.2	Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-
11.3	Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-
11.4	Others	4,051,444
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	4,144,056

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(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			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE without minority share	Minority interest	Total				
Audited	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2							3	4	5	6
Current Period December 31, 2018																	
I.	Prior Period End Balance	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	(121,160)	-	14,805,097	3,881,265	-	22,943,968	677,103	23,621,071
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
III.	Adjusted Beginning Balance (I+II)	2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	40,476	-	14,805,097	4,387,867	-	23,612,206	677,103	24,289,309
3.1.	Total Comprehensive Income	-	-	-	-	171,176	(12,353)	383,241	102,292	(158,245)	(102,292)	-	-	4,544,278	4,928,097	69,271	4,997,368
3.2.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7.	Increase/Decrease by Other Changes	-	7	-	11,029	-	-	2,347	-	-	-	136	(189,743)	-	(176,224)	(4,700)	(180,924)
IV.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	3,645,698	(3,645,698)	-	-	-	-
4.1.	Dividends paid	V-V-5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2.	Transfers to Reserves	V-V-5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3.	Other	-	-	-	-	-	-	-	-	-	-	3,645,698	(3,645,698)	-	-	-	-
Ending Balance		2,500,000	724,276	-	91,433	1,218,132	(41,357)	441,729	102,292	(117,769)	(102,292)	18,450,931	552,426	4,544,278	28,364,079	741,674	29,105,753

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

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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 YEAR ENDED DECEMBER 31, 2017

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

Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
I.	Prior Period December 31, 2017 Balances at the beginning of the period	2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	-	2,775,944	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472
II.	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Associates, Subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	64,587	-	-	-	-	64,587	-	64,587
4.1	Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	(873)	-	-	-	(873)	7,065	6,192
VII.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	230	-	-	230	-	230
IX.	Translation differences	-	-	-	-	-	-	-	(27,252)	-	-	-	-	-	-	-	(27,252)	-	(27,252)
X.	Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	-	(37,096)	3,456	1,188	-	-	-	(32,452)	-	(32,452)
12.1	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Other	-	-	(3,511)	-	(584)	-	(1,128)	98,648	-	(37,192)	-	-	-	-	-	56,233	59,172	115,405
XVIII.	Current period's net profit/loss	-	-	-	-	-	-	-	-	3,932,432	-	-	-	-	-	-	3,932,432	84,914	4,017,346
18.1	Profit distribution	-	-	-	-	273,652	-	2,282,692	20,048	-	(2,752,822)	-	49,444	-	-	-	(126,986)	(1,577)	(128,563)
18.2	Dividends	-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	-	-	-
18.3	Transferred to reserves	-	-	-	-	273,652	-	2,282,692	20,048	-	(2,632,822)	-	49,444	-	-	-	(6,986)	6,986	-
	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance	2,500,000	-	724,269	-	1,709,855	6,337	12,438,139	698,253	3,932,432	(51,166)	(63,126)	1,046,956	3,913	-	-	22,945,862	677,103	23,622,965

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2018**

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

		Notes	Audited Current Period December 31, 2018
A.	A. CASH FLOWS FROM BANKING OPERATIONS		
1.1	1.1. Operating profit before changes in operating assets and liabilities (+)		6,659,487
1.1.1	1.1.1. Interest received (+)		29,483,430
1.1.2	1.1.2. Interest paid (-)		(22,509,234)
1.1.3	1.1.3. Dividends received (+)		13,223
1.1.4	1.1.4. Fees and commissions received (+)		3,172,283
1.1.5	1.1.5. Other income (+)		1,398,330
1.1.6	1.1.6. Collections from previously written off loans and other receivables (+)		3,407,258
1.1.7	1.1.7. Cash payments to personnel and service suppliers (-)		(2,781,487)
1.1.8	1.1.8. Taxes paid (-)		(1,352,171)
1.1.9	1.1.9. Other (+/-)	V-VI-1	(4,172,145)
1.2	1.2. Changes in operating assets and liabilities subject to banking operations		161,052
1.2.1	1.2.1. Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(83,876)
1.2.2	1.2.2. Net increase (decrease) in due from banks (+/-)		(3,598,120)
1.2.3	1.2.3. Net increase (decrease) in loans		(39,226,440)
1.2.4	1.2.4. Net increase (decrease) in other assets (+/-)		(1,678,850)
1.2.5	1.2.5. Net increase (decrease) in bank deposits (+/-)		(2,728,596)
1.2.6	1.2.6. Net increase (decrease) in other deposits (+/-)		25,977,717
1.2.7	1.2.7. Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-
1.2.8	1.2.8. Net increase (decrease) in funds borrowed (+/-)		13,762,167
1.2.9	1.2.9. Net increase (decrease) in matured payables (+/-)		-
1.2.10	1.2.10. Net increase (decrease) in other liabilities (+/-)	V-VI-1	7,737,050
I.	I. Net cash provided from banking operations(+/-)		6,820,539
B.	B. CASH FLOWS FROM INVESTING ACTIVITIES		
II.	II. Net cash provided from investing activities(+/-)		(16,429,345)
2.1	2.1. Cash paid for the purchase of associates, subsidiaries and joint ventures		(20,876)
2.2	2.2. Cash obtained from the sale of associates, subsidiaries and joint ventures	V-VI-3	886
2.3	2.3. Cash paid for the purchase of tangible and intangible asset (-)		(3,051,062)
2.4	2.4. Cash obtained from the sale of tangible and intangible asset (+)		1,847,176
2.5	2.5. Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(9,386,200)
2.6	2.6. Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		4,509,924
2.7	2.7. Cash paid for the purchase of financial assets at amortised cost (-)		(11,162,210)
2.8	2.8. Cash obtained from sale of financial assets at amortised cost (+)		841,350
2.9	2.9. Other (+/-)	V-VI-1	(8,333)
C.	C. CASH FLOWS FROM FINANCING ACTIVITIES		
III.	III. Net cash flows from financing activities (+/-)		9,803,419
3.1	3.1. Cash obtained from funds borrowed and securities issued (+)		20,123,866
3.2	3.2. Cash outflow from funds borrowed and securities issued (-)		(10,195,447)
3.3	3.3. Equity instruments issued (+)		-
3.4	3.4. Dividends paid (-)		(125,000)
3.5	3.5. Payments for finance lease liabilities (-)		-
3.6	3.6. Other (+/-)		-
IV.	IV. Effect of change in foreign exchange rate on cash and cash equivalents	V-VI-1	256,824
V.	V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)		451,437
VI.	VI. Cash and cash equivalents at beginning of the period (+)	V-VI-4	20,110,705
VII.	VII. Cash and cash equivalents at end of the period (V+VI)	V-VI-4	20,562,142

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 YEAR ENDED DECEMBER 31, 2017**

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

		Notes	Audited Prior Period December 31, 2017
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities		6,846,022
1.1.1	Interests received		20,390,595
1.1.2	Interests paid		(12,569,147)
1.1.3	Dividends received		17,865
1.1.4	Fee and commissions received		1,896,758
1.1.5	Other income		1,503,221
1.1.6	Collections from previously written-off loans and other receivables		1,378,167
1.1.7	Payments to personnel and service suppliers		(2,239,442)
1.1.8	Taxes paid		(813,686)
1.1.9	Other	V-VI-1	(2,718,309)
1.2	Changes in operating assets and liabilities		(502,403)
1.2.1	Net (increase) decrease in financial assets held for trading purpose		52,705
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(4,638,887)
1.2.4	Net (increase) decrease in loans		(39,057,735)
1.2.5	Net (increase) decrease in other assets		(3,821,724)
1.2.6	Net increase (decrease) in bank deposits		4,631,612
1.2.7	Net increase (decrease) in other deposits		26,388,303
1.2.8	Net increase (decrease) in funds borrowed		4,868,590
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	V-VI-1	11,074,733
I.	Net cash flow from banking operations		6,343,619
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities		(2,727,581)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	V-VI-3	232
2.3	Cash paid for purchase of tangible assets		(171,566)
2.4	Proceeds from disposal of tangible assets		574,326
2.5	Cash paid for purchase of available-for-sale financial assets		(7,485,592)
2.6	Proceeds from disposal of available-for-sale financial assets		4,650,615
2.7	Cash paid for purchase of held-to-maturity investments		(2,423,358)
2.8	Proceeds from disposal of held-to-maturity investments		2,186,864
2.9	Other	V-VI-1	(59,102)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities		5,862,857
3.1	Cash obtained from funds borrowed and securities issued		16,823,204
3.2	Cash used for repayment of funds borrowed and securities issued		(10,831,784)
3.3	Equity instruments issued		-
3.4	Dividends paid		(128,563)
3.5	Repayments for finance leases		-
3.6	Other		-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	V-VI-1	(137,492)
V.	Net (decrease) / increase in cash and cash equivalents		9,341,403
VI.	Cash and cash equivalents at the beginning of the period	V-VI-4	12,421,404
VII.	Cash and cash equivalents at the end of the period	V-VI-4	21,762,807

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	Audited Current Period December 31, 2018
I.	DISTRIBUTION OF CURRENT YEAR PROFIT^(*)	
1.1	CURRENT YEAR'S PROFIT	5,153,927
1.2	TAXES AND LEGAL DUTIES PAYABLE	(999,605)
1.2.1	Corporate tax (income tax)	(745,141)
1.2.2	Withholding tax	-
1.2.3	Other taxes and duties ^(**)	(254,464)
A.	NET PROFIT FOR THE YEAR	4,154,322
1.3	DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	-
B.	NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME	4,154,322
1.4	ACCUMULATED LOSSES	-
1.5	FIRST LEGAL RESERVES	-
1.6	OTHER STATUTORY RESERVES	-
C.	NET PROFIT AVAILABLE FOR DISTRIBUTION ^(*)	-
1.7	FIRST DIVIDEND TO SHAREHOLDERS	-
1.7.1	To owners of ordinary shares	-
1.7.2	To owners of privileged shares	-
1.7.3	To owners of redeemed shares	-
1.7.4	To profit sharing bonds	-
1.7.5	To holders of profit and loss sharing certificates	-
1.8	DIVIDENDS TO PERSONNEL	-
1.9	DIVIDENDS TO BOARD OF DIRECTORS	-
1.10	SECOND DIVIDEND TO SHAREHOLDERS	-
1.10.1	To owners of ordinary shares	-
1.10.2	To owners of privileged shares	-
1.10.3	To owners of redeemed shares	-
1.10.4	To profit sharing bonds	-
1.10.5	To holders of profit and loss sharing certificates	-
1.11	SECOND LEGAL RESERVES	-
1.12	STATUS RESERVES	-
1.13	EXTRAORDINARY RESERVES	-
1.14	OTHER RESERVES	-
1.15	SPECIAL FUNDS	-
II.	DISTRIBUTION FROM RESERVES	-
2.1	DISTRIBUTION OF RESERVES	-
2.2	SECOND LEGAL RESERVES	-
2.3	DIVIDENDS TO SHAREHOLDERS	-
2.3.1	To owners of ordinary shares	-
2.3.2	To owners of privileged shares	-
2.3.3	To owners of redeemed shares	-
2.3.4	To profit sharing bonds	-
2.3.5	To holders of profit and loss sharing certificates	-
2.4	DIVIDENDS TO PERSONNEL	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS	-
III.	EARNINGS PER SHARE	-
3.1	TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)	1.6617
3.2	TO OWNERS OF ORDINARY SHARES (%)	166.17
3.3	TO OWNERS OF PRIVILEGED SHARES	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-
IV.	DIVIDEND PER SHARE	-
4.1	TO OWNERS OF ORDINARY SHARES	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-

(*) As of the report date, distributable net profit of the period is not shown as any decision regarding the 2018 profit distribution is not taken.

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

(***) The profit distribution is based on the non-consolidated financial statements of the Parent Bank.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 PROFIT DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

	Notes	Audited Prior Period December 31, 2017
I. DISTRIBUTION OF CURRENT YEAR PROFIT^(**)		
1.1 CURRENT YEAR'S PROFIT		4,675,132
1.2 TAXES AND LEGAL DUTIES PAYABLE		(951,749)
1.2.1 Corporate tax (income tax)	V-IV-11	(792,677)
1.2.2 Withholding tax		-
1.2.3 Other taxes and duties ^(*)	V-IV-11	(159,072)
A. NET PROFIT FOR THE YEAR		3,723,383
1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES	V-IV-11	-
B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME		3,723,383
1.4 ACCUMULATED LOSSES		-
1.5 FIRST LEGAL RESERVES	V-V-5	186,169
1.6 OTHER STATUTORY RESERVES	V-V-5	186,169
C. NET PROFIT AVAILABLE FOR DISTRIBUTION		3,351,045
1.7 FIRST DIVIDEND TO SHAREHOLDERS		125,000
1.7.1 To owners of ordinary shares		125,000
1.7.2 To owners of privileged shares		-
1.7.3 To owners of redeemed shares		-
1.7.4 To profit sharing bonds		-
1.7.5 To holders of profit and loss sharing certificates		-
1.8 DIVIDENDS TO PERSONNEL		-
1.9 DIVIDENDS TO BOARD OF DIRECTORS		-
1.10 SECOND DIVIDEND TO SHAREHOLDERS		-
1.10.1 To owners of ordinary shares		-
1.10.2 To owners of privileged shares		-
1.10.3 To owners of redeemed shares		-
1.10.4 To profit sharing bonds		-
1.10.5 To holders of profit and loss sharing certificates		-
1.11 SECOND LEGAL RESERVES		-
1.12 STATUS RESERVES		-
1.13 EXTRAORDINARY RESERVES	V-V-5	3,196,380
1.14 OTHER RESERVES		-
1.15 SPECIAL FUNDS	V-V-5	29,665
II. DISTRIBUTION FROM RESERVES		-
2.1 DISTRIBUTION OF RESERVES		-
2.2 SECOND LEGAL RESERVES		-
2.3 DIVIDENDS TO SHAREHOLDERS		-
2.3.1 To owners of ordinary shares		-
2.3.2 To owners of privileged shares		-
2.3.3 To owners of redeemed shares		-
2.3.4 To profit sharing bonds		-
2.3.5 To holders of profit and loss sharing certificates		-
2.4 DIVIDENDS TO PERSONNEL		-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-
III. EARNINGS PER SHARE		-
3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)		1,4894
3.2 TO OWNERS OF ORDINARY SHARES (%)		148.94
3.3 TO OWNERS OF PRIVILEGED SHARES		-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-
IV. DIVIDEND PER SHARE		-
4.1 TO OWNERS OF ORDINARY SHARES		-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-
4.3 TO OWNERS OF PRIVILEGED SHARES		-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-

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

^(**) The profit distribution is based on the non-consolidated financial statements of the Parent Bank.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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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 YEAR ENDED DECEMBER 31, 2018**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law 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, 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 unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published.

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

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 or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgments and estimates are explained in related notes.

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. “TAS 39 Financial Instruments: Recognition and Measurement” has been replaced with TFRS 9, related to the classification and measurement of financial instruments. Financial statements and related footnotes of the previous period have not been rearranged according to transition regulations of TFRS 9. According to April 17, 2018 BRSA 24049440-045.01 [3/8] -E.5358 notice, the previous period data was presented in the old format. The Bank applied the classification and measurement and impairment requirements to opening equity balances without any adjustments during comparative periods in the opening balance sheet as of January 1, 2018. Implementation and effects for the transition of TFRS 9 are explained in note XXIV Other Matters.

Accounting policies and valuation principles used for the periods of 2018 and 2017 are presented separately in the footnotes, accounting policies and valuation principles are explained in the third section under the footnotes of II and XXIV. The accounting policies for the period of 2017 are disclosed in third section, footnote XXV.

TFRS 15 “Revenue from Contracts with Customers” (“TFRS 15”) standard is effective from January 1, 2018 and has no significant impact on The Parent Bank’s accounting policies, financial position and performance.

“TFRS 16 Leasing” Standard was published in Official Gazette No. 29826, dated April 16, 2018, for the period beginning after 31 December 2018 which removes the distinction between operating and finance leases applied by the lessee. In this standard, the difference between the operating lease and the finance lease has been eliminated and the lease transactions will be presented by the lessor as the financial liability for the asset (the right to use) and the lease payment. The Bank does not expect a significant impact in its financials with the adaptation of TFRS 16 at 1 January 2019. The Bank will apply this standard on January 1, 2019, which is the mandatory date of implementation. The Bank plans to use simplified transition implementation and not to change comparable figures for the year before the first application.

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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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FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

Foreign exchange differences resulting from amortized costs of foreign currency denominated financial assets at fair value through other comprehensive income are recognized in the statement of income whilst foreign exchange differences resulting from unrealized gains and losses are presented in "Valuation differences of marketable securities" under equity.

As of September 30, 2016 reporting period, the Parent Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the 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 income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2018 is TL 102,292. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of December 31, 2018, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the 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.

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

Consolidated subsidiaries

As at and for the year ended December 31, 2018, 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.

Vakıf Portföy Yönetimi AŞ was classified from the Subsidiaries account to under Non-Currents Assets or Disposal Groups "Held For Sale" And "From Discontinued Operations and it has been included to consolidation on held for sale transactions accounts.

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ACCOUNTING POLICIES (Continued)

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

Consolidated subsidiaries (Continued)

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 Portföy Yönetimi AŞ operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

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

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

Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at December 31, 2018 and December 31, 2017 but until the liquidation decision date its accumulated previous years’ loss has been included in the accompanying consolidated financial statements.

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ACCOUNTING POLICIES (Continued)

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

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

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at December 31, 2018 and December 31, 2017, 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 year ended December 31, 2018, 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 of the Group mainly consist of currency and interest rate swaps, precious metal swaps, foreign currency forward contracts and currency options. The Group has classified its derivative transactions as “Derivative Financial Assets at Fair Value Through Profit or Loss” in accordance with the TFRS 9 – Financial Instruments.

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

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

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ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

Banking services 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 AND FOOTNOTES

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES (Continued)

Financial assets at fair value through profit or loss

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

Equity securities classified as financial assets at fair value through profit/loss are recognized at fair value.

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

During initial recognition an entity can choose in an irrevocable 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. At the end of the year real interest rate is used.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES (Continued)

Derivative Financial Assets

The Parent Bank'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 The Parent Bank are classified as Financial assets at fair value through profit and loss in accordance with "IFRS 9 Financial Instruments" (IFRS 9). Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts.

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

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". As of January 1, 2018 loans of The Parent Bank are retained under the "Measured at Amortized Cost" accounts due to holding loans in scope of a business model for the collection of contractual cash flows and contractual terms of loans that leads to cash flows representing solely payments of principal and interest at certain date.

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS

As of January 1, 2018, the Bank recognize provisions for impairment in accordance with IFRS 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. In this framework, as of December 31, 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under IFRS 9. 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 IFRS 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 IFRS 9 in calculating EAD, the estimation of how customer risk rating changes over time is important. Amount of EAD for cash and non-cash loans are calculated in different ways.

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

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

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

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

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

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

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

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

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

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

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

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:

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

Stage 1:

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

Stage 2:

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

Stage 3:

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

Significant Increase in Credit Risk

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

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

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

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

Write off Policy

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

Partial write-off means that its 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.

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ACCOUNTING POLICIES (Continued)

**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.

With the decision of the Board of Directors dated December 13, 2018, the Parent Bank decided to sell all its shares with 100% ownership in its subsidiary Vakıf Portföy Yönetimi AŞ with a paid in capital of TL 24,000 to Ziraat Portföy Yönetimi AŞ for TL 52,500. Vakıf Portföy Yönetimi AŞ, which is one of the subsidiaries of the Parent Bank, was removed from Subsidiaries account and started to be tracked under Non-current Assets Held for Sale and Discontinued Operations account. The said transfer of Vakıf Portföy Yönetimi AŞ was concluded on January 2, 2019.

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

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

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

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS (Continued)

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

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

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

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

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

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

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

Operational leases

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

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ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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 Group 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 Group. 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 Group 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 December 31, 2018 is TL 5,434 (full TL) (December 31, 2017: TL 4,732 (full TL)).

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 - Employee Benefits.

As at December 31, 2018 and December 31, 2017, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period – December 31, 2018
Discount Rate	%15.99
Estimated Inflation Rate	%11.27
Increase in Real Wage Rate	%12.27

	Prior Period – December 31, 2017
Discount Rate	%12.32
Estimated Inflation Rate	%8.00
Increase in Real Wage Rate	%9.00

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.

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ACCOUNTING POLICIES (Continued)

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

Pension fund

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

As part of Social Security Law’s 506 numbered, temporary article no.20, monthly income or salary is eligible for whose disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the November 1, 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s March 22, 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on December 15, 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

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

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

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

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

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 December 31, 2018.

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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 and 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.

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

Advance tax that is calculated 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 25th 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 EQUIVALENTS

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

The 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 group 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 December 31, 2018, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 168,116 (December 31, 2017: TL 186,717).

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 year ended December 31, 2018, earnings per 100 shares are full TL 1.8177 (December 31, 2017: full TL 1.5730).

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 as approved by the Republic of Turkey Prime Ministry Under secretariat of Treasury, which are applicable for Turkish insurance companies. 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.

Classifications

Reclassification procedures in scope of TFRS 9 are stated below.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

TFRS 9 Financial Instruments implementation and effects

TFRS 9 “Financial Instruments”, which is effective as of January 1, 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

Classification and measurement of financial instruments

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “Solely Payments of Principal and Interest” (SPPI).

Financial Assets	Measurement Bases	Before TFRS 9	Measurement Bases	In Scope of TFRS 9
		Book Value December 31, 2017		Book Value January 1, 2018
Cash Balances and Central Bank	Measured at amortized cost	28,656,246	Measured at amortized cost	28,656,246
Banks and Money Markets	Measured at amortized cost	14,982,861	Measured at amortized cost	14,982,861
Marketable Securities	Fair value through profit and loss	129,972	Fair value through profit and loss	173,342
	Fair value through other comprehensive income (Available-for-sale)	14,570,384 16,766,071	Fair value through other comprehensive income Measured at amortized cost	7,072,487 24,422,643
Derivative Financial Assets Held-for-trading	Fair value through profit and loss	1,946,251	Fair value through profit and loss	1,946,251
Loans (Gross)	Measured at amortized cost	185,442,530	Measured at amortized cost	185,442,530

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, “Principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Parent Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, The Parent Bank consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank’s claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money - e.g. periodic reset of interest rates.

The Group fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets. Upon initial recognition each financial asset will be classified as either fair value through profit or loss (“FVTPL”), amortized cost or fair value through other comprehensive income (“FVTOCI”).

As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Explanations of the effect from Bank’s application of TFRS 9 can be found below:

As of January 1, 2018, the Parent Bank does not have any financial assets that exceed the contractual cash flows test, including interest payments on principal and principal balance.

Reconciliation of statement of financial position balances in transition to TFRS 9

Financial Assets	Before TFRS 9 Book Value December 31, 2017	Reclassifications	Remeasurements	TFRS 9 Book Value January 1, 2018
Fair value through P/L				
Balance before classification (trading financial assets)	129,972	-	-	-
Classified to marketable securities	-	43,370	-	-
Book value after classification	-	-	-	173,342
Fair value through other comprehensive income				
Book value before classification (available for sale)	14,570,384	-	-	-
Financial assets at fair value through profit or loss	-	(43,370)	-	-
Financial assets measured at amortized cost	-	(7,454,527)	-	-
Book value after classification	-	-	-	7,072,487
Measured at amortized cost financial assets				
Balance before classification (held-to-maturity investments)	16,766,071	-	-	-
Classified from available for sale financial assets	-	7,454,527	202,045	-
Book value after classification	-	-	-	24,422,643

1) Financial assets measured as amortized cost in accordance with TFRS 9 standard:

The Parent Bank has reassessed the management model for the collection of contractual cash flows in the security portfolio or for the sale of the financial assets and cash flows depending on the contract. The Parent Bank has classified fair value through other comprehensive income amounting TL 7,454,527, which were classified before as available-for-sale financial assets, as measured at amortized cost due to the reason that appropriate management model of those marketable securities have the purpose of collecting cash flows or selling financial assets.

2) Equity securities designated at fair value through profit or loss in accordance with TFRS 9 standard:

The Bank has classified equity securities amounting to TL 43,370, which were classified as available-for-sale financial assets to designated at Fair Value through Profit or Loss as of the first application date of TFRS 9.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

3) Reclassification of categorized items without a change in measurement:

In addition to the statements above, since the previous categories under TAS 39 of the debt instruments below were “out of action” under TAS 39, the following borrowing instruments are reclassified in new categories under TFRS 9 without changing any measurement principles.

- (i) Previously classified as “available-for-sale” and as of January 1, 2018 classified as “Fair Value Through Other Comprehensive Income” and
- (ii) Previously classified as held-to-maturity and as of January 1, 2018 classified as “measured at amortized cost”.

Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

The table below shows the reconciliation of the provision for impairment of the Bank as of December 31, 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of January 1, 2018.

	Book Value before TFRS 9	Remeasurements	Book Value after TFRS 9
	December 31, 2017		January 1, 2018
Loans	8,545,602	(424,320)	8,121,282
Stage 1	1,527,551	(28,891)	1,498,660
Stage 2	181,119	283,954	465,073
Stage 3	6,836,932	(679,383)	6,157,549
Financial Assets (*)	39,402	46,767	86,169
Non-Cash Loans	292,475	216,070	508,545
Stage 1 and 2 (**)	137,421	340,068	477,489
Stage 3 (***)	155,054	(123,998)	31,056
Total	8,877,479	(161,483)	8,715,996

(*) Within the scope of TFRS 9 Financial Assets Measured at Amortized Cost include provisions for Financial Assets at Fair Value through Other Comprehensive Income, Banks and Receivables from Money Market.

(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified “General Provision” and expected credit loss for stage 3 non-cash loans is classified “Other Provisions” under liabilities.

(***) In accordance with TFRS 9, the expected loss provisions for the 3rd stage non-cash loans are in the “Other Provisions” column in the liabilities.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Effects on equity with TFRS 9 transition

Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles and BDDK regulations, beginning from January 1, 2018. In this framework, TL 504,448 valued deferred tax asset has been reflected to January 1, 2018 opening financials, and this amount are classified as prior period profit/loss under equity.

TL 161,483 revenue, consisted from bank's prior period's provisions and new loss provisions that measured in accordance with TFRS 9's expected loss model beginning from January 1, 2018, classified as prior period profit/loss under equity.

For the specific provisions (TFRS 9 expected loss provisions for third stage loans), which have been cancelled due to TFRS 9 transition, corporate tax loss amounting to TL 170,480 is classified under "Prior year profit/loss" in equity as of January 1, 2018.

Equity securities followed under available-for-sale financial assets before January 1, 2018, along with its following under financial assets at fair value through profit or loss beginning from TFRS 9's first implementation date, the amount of TL 11,151 impairment provision are classified as prior period's profit/loss under equity.

Remeasurement difference regarding the after tax effect amounting net TL 161,636 has been classified under "Accumulated Other Comprehensive Income or Expense Reclassified through Other Profit or Loss", for the securities amounting TL 7,454,527 classified before January 1, 2018 as available-for-sale financial assets and after fair value through other comprehensive income, has been classified with the TFRS 9 transition as measured at amortized cost.

XXV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD

TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of January 1, 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

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

Financial assets at fair value through profit or loss

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

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

Financial assets at fair value through profit or loss classified as financial assets are financial assets which are not acquired for trading, however during initial recognition with transaction costs and classified as fair value through profit or loss.

Such an asset is not present in Parent Bank's portfolio.

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

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ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (Continued)

Available-for-sale financial assets

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

Held-to-maturity investments

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

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

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

Loans and Receivables

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

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

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

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SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to “Regulation on Bank’s Capital Adequacy Assessment of the Measurement“, “Communique on Credit Risk Mitigation“, “BRSA Regulation on Bank’s Shareholder Equity“, “Regulations on Systemically Important Banks“, “Regulation on Capital Conservation and Cyclical Capital Buffer“.

As of December 31, 2018 Group’s capital adequacy ratio is 16.47 % (December 31, 2017: 14.95 %).

Information about the consolidated shareholder equity items

Current Period-December 31, 2018	Amount	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	724,276	
Reserves	18,450,931	
Income recognized under equity in accordance with TAS	1,676,770	
Profit	5,096,704	
Current Period’s Profit	4,544,278	
Prior Period’s Profit	552,426	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	91,433	
Minority shares	739,167	
Common Equity Tier 1 Capital Before Deductions	29,279,281	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	176,035	-
Leasehold Improvements on Operational Leases	218,704	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	286,511	286,511
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	681,250	-
Common Equity Tier 1 capital (CET1)	28,598,031	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	4,993,575	-
Bank’s borrowing instruments and related issuance premium	4,993,575	-
Bank’s borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties’ share in the Additional Tier 1 capital -	-	-
Third parties’ share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	4,993,575	-
Deductions from Additional Tier 1 Capital		
Bank’s a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Current Period- December 31, 2018	Amount	Amount as per the regulation before 1/1/2014(*)
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (ATI)	4,993,575	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	33,591,606	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,010,017	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
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	-
Tier 2 Capital Before Deductions	7,932,280	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	7,932,280	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	41,523,886	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,444	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	41,522,442	-
Total Risk Weighted Amounts	252,126,397	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.34	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.32	-
Consolidated Capital Adequacy Ratio (%)	16.47	-
BUFFERS		
Total buffer requirement	2,644	-
Capital conservation buffer requirement (%)	1,875	-
Bank specific counter-cyclical buffer requirement (%)	0,019	-
Systemically important banks buffer requirement (%)	0,750	-
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	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,126,095	-
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	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before
<u>Prior Period-December 31,2017</u>	<u>1/1/2014(*)</u>	
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	724,269	
Reserves	14,805,097	
Income recognized under equity in accordance with TAS	1,031,317	
Profit	3,881,266	
Current Period's Profit	3,932,432	
Prior Period's Profit	(51,166)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	3,913	
Minority shares	670,718	
Common Equity Tier 1 Capital Before Deductions	23,616,580	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	-	-
Leasehold Improvements on Operational Leases	186,861	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	204,370	255,462
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	391,231	
Common Equity Tier 1 capital (CET1)	23,225,349	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period- December 31,2017	Amount	Amount as per the regulation before 1/1/2014(*)
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	51,092	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1capital (ATI)	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	23,174,257	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	4,079,148	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	809,717	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,385	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	-
Tier 2 Capital Before Deductions	5,971,026	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	5,971,026	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	29,145,283	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	29,143,928	-
Total Capital	29,143,928	-
Total Risk Weighted Amounts	194,903,773	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.92	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.89	-
Consolidated Capital Adequacy Ratio (%)	14.95	-
BUFFERS		
Total buffer requirement	1.753	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.003	-
Systemically important banks buffer requirement (%)**	0.500	-
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 (%)	7.42	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,244,752	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL 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 YEAR ENDED DECEMBER 31, 2018

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - 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	TRSVKFB0043
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	651	2,632	1,202	525	4,994
Par value of instrument (in million)	3,365	2,632	1,202	525	4,994
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Coupons / dividends					
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months
Coupon rate and any related index	6% fixed interest rate	6.875% fixed interest rate	8% fixed interest rate	5 years maturity “Indicator Government Debt Security” +350 basis points	% 12.62 fixed interest rate
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible					
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil
Write-down feature					
If write-down, write-down trigger(s)	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.
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.
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.
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 secondary capital calculation, the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7
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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - 31 December 2017				
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.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB-VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB-VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB-VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB-VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	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)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	810	1,884	860	525
Par value of instrument (in million)	2,523	1,890	860	525
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
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
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Issuer call subject to prior supervisory approval	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.
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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Coupons / dividends				
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date
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
Existence of a dividend stopper	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible				
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil
Write-down feature				
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
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.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent 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.
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.
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
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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	Current Period December 31, 2018
Shareholders' equity	29,105,753
Leasehold improvements on operational leases	(218,704)
Goodwill and intangible assets	(286,511)
General provision (1.25% of the amount that subject to credit risk)	2,919,756
Subordinated debt	10,003,592
Deductions from shareholders' equity	(1,444)
Capital	41,522,442

	Prior Period December 31, 2017
Shareholders' equity	23,622,965
Leasehold improvements on operational leases	(186,861)
Goodwill and intangible assets	(204,370)
General provision (1.25% of the amount that subject to credit risk)	1,885,493
Subordinated debt	4,079,148
Deductions from shareholders' equity	(52,447)
Capital	29,143,928

II. CONSOLIDATED CREDIT RISK

Credit risk is defined as the counterparty's possibility of failing to fulfill its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by the Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on a product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited on the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Also the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analyzed based on the balance sheets and the income statements provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

Collaterals for the credit limits are determined on a customer basis in order to ensure bank placements and their liquidity. The amount and type of the collateral are determined regarding the creditworthiness of the credit users. The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

The Group has risk control limits for derivative transaction (futures, options, etc.) positions, which effects credit risk and market risk.

For credit risk management purposes, Risk Management Department operates in

- The determination of credit risk policies in coordination with the Bank’s other units,
- The determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type,
- The contribution to the formation of rating and scoring systems,
- The submit to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio’s distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses,
- The studies regarding the formation of advanced credit risk measurement approaches.

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank’s credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of The Parent Bank’s risk management concept, long term commitments are accepted more risky than short term commitments. Besides, risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

Indemnified non-cash loans are regarded as the same risk weight with the loans that are pastdue and unpaid.

Banking operations and lending activities carried in foreign countries are not exposed to material credit risks, due to related countries’ financial conditions, customers and their operations.

The Group’s largest 100 cash loan customers compose 31.93% of the total cash loan portfolio (December 31, 2017: 26.16%).

The Group’s largest 100 non-cash loan customers compose 49.81% of the total non-cash loan portfolio (December 31, 2017: 52.90%).

The Group’s largest 100 cash loan customers compose 20.69% of total assets of the Group and the Group’s largest 100 non-cash loan customers compose 13.56% of total off-balance sheet items (December 31, 2017: 17.27% and 16.71%).

The Group’s largest 200 cash loan customers compose 39.35% of the total cash loan portfolio (December 31, 2017: 32.46%).

The Group’s largest 200 non-cash loan customers compose 63.22% of the total non-cash loan portfolio (December 31, 2017: 65.02%).

The Group’s largest 200 cash loan customers compose 25.50% of total assets of the Group and the Bank’s largest 200 non-cash loan customers compose 17.22% of total off-balance sheet items (December 31, 2017: 21.43% and 20.54%).

The amount of expected loss provisions (stage one and two) for credit risk taken by the Group is TL 3,126,095 (December 31, 2017: TL 1,885,493).

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Information on loan types and expected loss provisions:

Current Period - 31 December 2018	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
Loans	183,835,553	8,802,865	46,292,005	1,547,102	9,752,229	879,619	239,879,787	11,229,586
Stage 1	156,325,600	1,316,734	43,289,478	146,781	8,570,846	172,727	208,185,924	1,636,242
Stage 2	18,965,858	1,239,272	1,225,674	47,707	373,023	39,601	20,564,555	1,326,580
Stage 3	8,544,095	6,246,859	1,776,853	1,352,614	808,360	667,291	11,129,308	8,266,764
Financial Assets	81,430,117	36,238	-	-	-	-	81,430,117	36,238
Non Cash Loans and Commitments	95,699,717	158,570	-	-	-	-	95,699,717	158,570
Stage 1	94,383,980	119,269	-	-	-	-	94,383,980	119,269
Stage 2	943,881	7,766	-	-	-	-	943,881	7,766
Stage 3	371,856	31,535	-	-	-	-	371,856	31,535
Total	360,965,387	8,997,673	46,292,005	1,547,102	9,752,229	879,619	417,009,621	11,424,394

Information on expected loss provisions for loans:

Current Period - 31 December 2018	Stage 1	Stage 2	Stage 3
Provision balance at the beginning (1 January 2018)	1,498,660	465,073	6,157,549
Additional provisions during the period	586,350	1,346,280	2,390,669
Disposals during the period (-)	338,991	107,992	380,716
Deleted from assets (-) ^(*)	-	385,709	1,587
Transfers to stage 1	39,450	(39,262)	(188)
Transfers to stage 2	(115,773)	142,901	(27,128)
Transfers to stage 3	(33,454)	(94,711)	128,165
Provision Balance at the end of the Period	1,636,242	1,326,580	8,266,764

^(*) The Bank write-off the provision from 2nd level provisions amounting TL 385,709 allocated for the risk of the loan granted to Ojer Telekomünikasyon A.Ş. (OTAS) within the framework of syndication participation, which is done by pledging share collateral from other local and foreign banks.

The general provision for credit risk amounts to TL 3,126,095 (December 31, 2017: TL 1,885,493).

Risk Classifications:	Current Period Risk Amount ^(*)	Average Risk Amount ^(**)
Claims on sovereigns and Central Banks	135,425,480	111,234,678
Claims on regional governments or local authorities	9,886,540	8,913,129
Claims on administrative bodies and other non-commercial undertakings	551,034	549,498
Claims on multilateral development banks	24,044	43,945
Claims on international organizations	-	-
Claims on banks and intermediary institutions	26,868,933	26,039,472
Claims on corporate	128,214,407	112,426,147
Claims included in the regulatory retail portfolios	53,595,912	54,054,342
Claims secured by residential property	52,880,936	51,724,138
Past due loans	2,862,544	2,144,851
Higher risk categories decided by the Agency	168,054	385,111
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	1,395	2,989
Stock Investments	1,198,533	965,066
Other claims	14,413,521	10,567,900

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

^(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2018 period.

Risk Classifications:	Prior Period Risk Amount ^(*)	Average Risk Amount ^(**)
Claims on sovereigns and Central Banks	94,576,550	75,796,482
Claims on regional governments or local authorities	6,911,220	5,775,138
Claims on administrative bodies and other non-commercial undertakings	438,918	1,108,723
Claims on multilateral development banks	19,615	17,081
Claims on international organizations	-	-
Claims on banks and intermediary institutions	17,508,822	14,473,488
Claims on corporate	93,630,912	84,784,246
Claims included in the regulatory retail portfolios	50,830,366	48,090,373
Claims secured by residential property	48,390,011	46,101,812
Past due loans	1,106,254	1,145,360
Higher risk categories decided by the Agency	283,262	271,061
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	263	168
Stock Investments	707,498	682,341
Other claims	10,375,891	8,433,671

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

^(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2017 period.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

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

Current Period December 31, 2018	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	131,826,002	9,886,540	546,321	-	-	4,529,536	117,979,245	53,575,609	52,680,944	2,848,416	-	-	-	-	1,395	73,244	12,916,530	386,863,782
EU countries	1,482,049	-	4,713	24,044	-	18,566,084	1,009,738	5,534	-	14,128	-	-	-	-	-	-	23,503	21,129,793
OECD countries (*)	-	-	-	-	-	21,485	57	-	-	-	-	-	-	-	-	-	-	21,542
Off-shore banking regions	-	-	-	-	-	498,193	7,101,289	3,982	191,539	-	-	-	-	-	-	-	-	7,795,003
USA, Canada	2,063,887	-	-	-	-	2,440,762	1,951,750	2,695	8,453	-	-	-	-	-	-	-	-	6,467,547
Other countries	53,542	-	-	-	-	749,740	172,328	8,092	-	-	168,054	-	-	-	-	-	-	1,151,756
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	63,133	-	-	-	-	-	-	-	-	-	1,125,289	-	1,188,422
Undistributed Assets/ Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,473,488	1,473,488
Total	135,425,480	9,886,540	551,034	24,044	-	26,868,933	128,214,407	53,595,912	52,880,936	2,862,544	168,054	-	-	-	1,395	1,198,533	14,413,521	426,091,333

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

(**) The assets and liabilities that can not be distributed according to a consistent base.

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

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

Prior Period December 31,2017	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured y mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	85,032,643	6,907,986	438,918	18,032	-	4,189,404	85,058,214	50,809,900	48,042,682	1,102,757	62,596	-	-	-	263	43,397	9,515,272	291,222,064
EU countries	712,487	-	-	1,447	-	10,715,905	618,620	6,856	-	3,497	476	-	-	-	-	-	26,775	12,086,063
OECD countries (*)	-	-	-	-	-	498,484	4	-	-	-	-	-	-	-	-	-	-	498,488
Off-shore banking regions	-	3,234	-	-	-	113,075	4,247,432	2,953	328,856	-	-	-	-	-	-	-	-	4,695,550
USA, Canada	8,831,420	-	-	136	-	1,426,112	1,810,290	-	18,473	-	-	-	-	-	-	-	-	12,086,431
Other countries	-	-	-	-	-	460,940	1,896,352	10,657	-	-	220,190	-	-	-	-	-	-	2,588,139
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	104,902	-	-	-	-	-	-	-	-	-	664,101	-	769,003
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	833,844	833,844
Total	94,576,550	6,911,220	438,918	19,615	-	17,508,822	93,630,912	50,830,366	48,390,011	1,106,254	283,262	-	-	-	263	707,498	10,375,891	324,779,582

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

(**) The assets and liabilities that can not be distributed according to a consistent base.

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Current Period December 31.2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	249,374	456	3	-	-	-	264,670	665,238	507,652	-	-	-	-	-	-	-	-	1,511,214	176,179	1,687,393
<i>Farming and raising livestock</i>	241,698	456	3	-	-	-	240,245	620,425	497,290	-	-	-	-	-	-	-	-	1,451,685	148,432	1,600,117
<i>Forestry</i>	4,896	-	-	-	-	-	512	35,594	3,648	-	-	-	-	-	-	-	-	44,050	600	44,650
<i>Fishing</i>	2,780	-	-	-	-	-	23,913	9,219	6,714	-	-	-	-	-	-	-	-	15,479	27,147	42,626
Manufacturing	5,700,700	278,467	53,671	-	-	-	52,062,977	4,742,052	6,962,581	-	-	-	-	-	-	-	-	24,504,145	45,296,303	69,800,448
<i>Mining</i>	153,347	-	-	-	-	-	4,760,115	140,472	177,314	-	-	-	-	-	-	-	-	790,226	4,441,022	5,231,248
<i>Production</i>	5,422,654	-	15	-	-	-	30,971,546	4,286,845	6,477,584	-	-	-	-	-	-	-	-	19,954,645	27,203,999	47,158,644
<i>Electric, Gas, Water</i>	124,699	278,467	53,656	-	-	-	16,331,316	314,735	307,683	-	-	-	-	-	-	-	-	3,759,274	13,651,282	17,410,556
Construction	2,861,462	15	1,952	-	-	-	18,417,107	3,069,622	7,647,690	-	-	-	-	-	-	-	-	18,786,928	13,210,920	31,997,848
Services	90,070,273	9,496,627	237,982	24,044	-	25,825,847	29,748,667	7,207,396	9,920,884	-	168,055	-	-	-	1,395	73,217	-	100,459,377	72,315,010	172,774,387
<i>Wholesale and retail trade</i>	2,775	447	-	-	-	-	200,911	26,856	1,954	-	-	-	-	-	-	-	-	69,389	163,554	232,943
<i>Hotel, Food and Beverage Services</i>	594,240	11	15	-	-	-	3,390,880	1,023,598	4,446,983	-	-	-	-	-	-	-	-	2,754,096	6,701,631	9,455,727
<i>Transportation and Telecommunication</i>	785,420	32	27,904	-	-	-	18,437,802	4,057,393	1,830,082	-	-	-	-	-	-	-	-	7,993,837	17,144,796	25,138,633
<i>Financial Institutions</i>	87,718,759	36,030	1	24,044	-	25,825,837	4,655,481	169,249	1,041,133	-	168,055	-	-	-	1,395	73,217	-	74,213,510	45,499,691	119,713,201
<i>Real Estate and renting services</i>	235,130	-	76,382	-	-	10	2,045,774	1,484,822	1,557,067	-	-	-	-	-	-	-	-	3,954,982	1,444,203	5,399,185
<i>Self-employment services</i>	197	-	-	-	-	-	62,951	21,605	-	-	-	-	-	-	-	-	-	10,096	74,657	84,753
<i>Education services</i>	193,038	-	63	-	-	-	382,994	207,240	527,039	-	-	-	-	-	-	-	-	1,208,460	101,914	1,310,374
<i>Health and social services</i>	540,714	9,460,107	133,617	-	-	-	571,874	216,633	516,626	-	-	-	-	-	-	-	-	10,255,007	1,184,564	11,439,571
Other	36,543,671	110,975	257,426	-	-	1,043,086	27,720,986	37,911,604	27,842,129	2,862,544	(1)	-	-	-	-	1,125,316	14,413,521	101,496,520	48,334,737	149,831,257
Total	135,425,480	9,886,540	551,034	24,044	-	26,868,933	128,214,407	53,595,912	52,880,936	2,862,544	168,054	-	-	-	1,395	1,198,533	14,413,521	246,758,184	179,333,149	426,091,333

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

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Stock Investments
- 17- Other receivables

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (*)

Prior Period December 31,2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	190,377	444	10	-	-	-	284,243	543,542	445,896	-	-	-	-	-	-	-	-	1,312,669	151,843	1,464,512
<i>Farming and raising livestock</i>	182,614	444	10	-	-	-	282,767	513,294	432,391	-	-	-	-	-	-	-	-	1,264,547	146,973	1,411,520
<i>Forestry</i>	6,204	-	-	-	-	-	50	18,521	4,603	-	-	-	-	-	-	-	-	29,378	-	29,378
<i>Fishing</i>	1,559	-	-	-	-	-	1,426	11,727	8,902	-	-	-	-	-	-	-	-	18,744	4,870	23,614
Manufacturing	5,112,339	187,304	61,438	-	-	-	37,073,078	4,057,765	6,413,129	-	-	-	-	-	-	-	-	21,999,278	30,905,775	52,905,053
<i>Mining</i>	130,473	-	-	-	-	-	2,962,565	158,487	145,433	-	-	-	-	-	-	-	-	682,621	2,714,337	3,396,958
<i>Production</i>	4,903,832	30	75	-	-	-	23,338,653	3,650,483	6,089,190	-	-	-	-	-	-	-	-	17,975,215	20,007,048	37,982,263
<i>Electric, Gas, Water</i>	78,034	187,274	61,363	-	-	-	10,771,860	248,795	178,506	-	-	-	-	-	-	-	-	3,341,442	8,184,390	11,525,832
Construction	2,952,799	890	3,395	-	-	-	11,744,362	2,775,701	6,780,970	-	-	-	-	-	-	-	-	15,711,802	8,546,315	24,258,117
Services	50,467,597	6,706,806	176,802	19,615	-	17,508,822	20,142,747	7,159,786	8,239,232	-	220,667	-	-	-	263	43,370	-	60,428,292	50,257,415	110,685,707
<i>Wholesale and retail trade</i>	6,852	232	-	-	-	-	563,912	108,697	1,784	-	-	-	-	-	-	-	-	340,597	340,880	681,477
<i>Hotel, Food and Beverage Services</i>	526,253	11	263	-	-	-	1,792,862	797,125	3,323,258	-	-	-	-	-	-	-	-	2,346,056	4,093,716	6,439,772
<i>Transportation and Telecommunication</i>	913,632	11,378	23,533	-	-	-	11,049,289	4,649,438	2,230,411	-	-	-	-	-	-	-	-	8,579,416	10,298,265	18,877,681
<i>Financial Institutions</i>	48,222,227	10	733	19,615	-	17,508,822	4,665,354	148,801	946,723	-	220,667	-	-	-	263	43,370	-	38,341,752	33,434,833	71,776,585
<i>Real Estate and renting services</i>	215,895	-	70,183	-	-	-	1,248,419	1,067,057	919,586	-	-	-	-	-	-	-	-	2,626,874	894,266	3,521,140
<i>Self-employment services</i>	4,905	1,513	241	-	-	-	8,415	10,669	-	-	-	-	-	-	-	-	-	14,903	10,840	25,743
<i>Education services</i>	164,013	11	626	-	-	-	274,797	168,283	420,193	-	-	-	-	-	-	-	-	935,978	91,945	1,027,923
<i>Health and social services</i>	413,820	6,693,651	81,223	-	-	-	539,699	209,716	397,277	-	-	-	-	-	-	-	-	7,242,716	1,092,670	8,335,386
Other	35,853,438	15,776	197,273	-	-	-	24,386,482	36,293,572	26,510,784	1,106,254	62,595	-	-	-	-	664,128	10,375,891	93,246,271	42,219,922	135,466,193
Total	94,576,550	6,911,220	438,918	19,615	-	17,508,822	93,630,912	50,830,366	48,390,011	1,106,254	283,262	-	-	-	263	707,498	10,375,891	192,698,312	132,081,270	324,779,582

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

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
- 16- Stock Investments
- 17- Other receivables

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

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

Risk Classifications-Current Period December 31,2018	According to their outstanding maturities					Undistributed
	1 month	1-3 month	3-6 month	6-12 month	1 year and over	
Claims on sovereigns and Central Banks	28,777,364	2,297,889	1,705,738	3,640,685	99,003,804	-
Claims on regional governments or local authorities	12,094	6,937	72,147	230,424	9,564,938	-
Claims on administrative bodies and other non-commercial undertakings	4,134	2,936	80,471	40,384	423,109	-
Claims on multilateral development banks	-	-	-	-	24,044	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	1,298,971	2,451,864	721,504	877,000	21,519,594	-
Claims on corporate	4,937,106	6,439,224	9,909,097	19,892,889	87,036,091	-
Claims included in the regulatory retail portfolios	698,465	1,405,768	2,295,771	7,386,457	41,809,451	-
Claims secured by residential property	788,993	1,595,130	2,666,327	8,334,486	39,496,000	-
Past due loans	-	-	-	-	82,336	2,780,208
Higher risk categories decided by the Agency	-	810	308	-	166,936	-
Marketable securities secured by mortgages	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	1,395	-
Stock Investments	3	-	-	-	1,198,530	-
Other claims	23,503	-	-	-	14,390,018	-
TOTAL	36,540,633	14,200,558	17,451,363	40,402,325	314,716,246	2,780,208

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

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

Risk Classifications-Prior Period December 31,2017	According to their outstanding maturities					1 year and over
	1 month	1-3 month	3-6 month	6-12 month		
Claims on sovereigns and Central Banks	7,428,731	252,551	759,428	1,577,698	84,558,142	
Claims on regional governments or local authorities	9,682	9,196	28,124	235,743	6,628,475	
Claims on administrative bodies and other non-commercial undertakings	1,426	1,690	3,390	66,624	365,788	
Claims on multilateral development banks	1,583	-	-	-	18,032	
Claims on international organizations	-	-	-	-	-	
Claims on banks and intermediary institutions	4,338,096	2,725,079	590,843	58,677	9,796,127	
Claims on corporate	3,892,114	4,532,885	7,287,286	13,925,617	63,993,010	
Claims included in the regulatory retail portfolios	598,470	1,420,475	2,438,990	6,355,744	40,016,687	
Claims secured by residential property	715,960	1,295,000	2,647,802	6,139,142	37,592,107	
Past due loans	-	-	-	-	1,106,254	
Higher risk categories decided by the Agency	4,083	1,105	2,265	887	274,922	
Marketable securities secured by mortgages	-	-	-	-	-	
Securitization exposures	-	-	-	-	-	
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	
Undertakings for collective investments in mutual funds	-	-	-	-	263	
Stock Investments	3	-	-	-	707,495	
Other claims	26,775	-	-	-	10,349,116	
TOTAL	17,016,923	10,237,981	13,758,128	28,360,132	255,406,418	

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

Risk balances according to risk weights

Risk Weights Current Period – December 31, 2018	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
	Pre-Amount of Credit Risk Mitigation	116,443,801	-	8,315,323	24,615,689	68,022,245	53,595,912	154,907,585	190,778	-	-	
Amount after Credit Risk Mitigation	119,597,328	-	8,561,979	24,615,689	73,711,832	53,212,894	146,200,833	190,778	-	-	-	506,659

Risk Weights Prior Period December 31, 2017	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
	Pre-Amount of Credit Risk Mitigation	86,314,704	-	6,519,704	23,271,806	46,149,416	50,830,366	111,410,324	220,666	-	62,596	
Amount after Credit Risk Mitigation	89,381,822	-	4,909,786	23,271,806	48,686,466	50,496,251	107,750,188	220,667	-	62,596	-	443,678

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

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

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

Information According to Sectors and Counterparties

Major Sectors / Counterparties	Impaired (IFRS 9)		
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions (IFRS 9)
Current Period - December 31,2018			
Agricultural	257,214	263,864	198,203
<i>Farming and raising livestock</i>	254,311	250,429	186,462
<i>Forestry</i>	1,308	9,912	8,789
<i>Fishing</i>	1,595	3,523	2,952
Manufacturing	4,907,118	2,241,670	1,947,329
<i>Mining</i>	117,896	194,057	153,124
<i>Production</i>	3,018,859	2,031,587	1,688,586
<i>Electric, Gas, Water</i>	1,770,363	16,026	105,619
Construction	4,459,692	1,244,569	1,065,747
Services	9,755,176	4,072,268	3,735,040
<i>Wholesale and retail trade</i>	4,453,264	2,637,366	2,461,121
<i>Hotel, Food and Beverage Services</i>	674,909	173,345	180,992
<i>Transportation and telecommunication</i>	1,342,839	461,921	457,417
<i>Financial Institutions</i>	280,047	23,539	29,682
<i>Real estate and renting services</i>	1,727,025	243,646	188,541
<i>Self-employment services</i>	1,051,679	387,163	301,755
<i>Education services</i>	154,363	44,868	36,348
<i>Health and social services</i>	71,050	100,420	79,184
Other	1,185,355	3,306,937	2,647,025
Total	20,564,555	11,129,308	9,593,344

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Prior Period – December 31,2017	Loans			Provisions
	Impaired ^(*)	Past Due ^(**)	Value Adjustments ^(***)	
Agricultural	69,085	73,741	1,420	55,315
<i>Farming and raising livestock</i>	64,741	72,536	1,395	51,758
<i>Forestry</i>	2,258	923	20	2,093
<i>Fishing</i>	2,086	282	5	1,464
Manufacturing	1,628,025	662,702	18,754	1,307,257
<i>Mining</i>	134,821	71,292	1,641	128,422
<i>Production</i>	1,487,022	502,312	13,001	1,172,949
<i>Electric, Gas, Water</i>	6,182	89,098	4,112	5,886
Construction	801,891	580,653	12,394	707,644
Services	2,979,614	2,982,220	68,074	2,589,472
<i>Wholesale and retail trade</i>	2,049,107	1,114,163	25,183	1,804,680
<i>Hotel, Food and Beverage Services</i>	107,964	187,259	3,844	93,282
<i>Transportation and telecommunication</i>	405,285	759,229	13,311	346,845
<i>Financial Institutions</i>	23,368	15,741	203	22,498
<i>Real estate and renting services</i>	96,090	835,721	16,650	87,526
<i>Self-employment services</i>	185,072	6,922	7,555	151,398
<i>Education services</i>	20,029	40,977	938	19,385
<i>Health and social services</i>	92,699	22,208	390	63,858
Other	2,464,571	4,232,963	213,400	2,177,244
Total	7,943,186	8,532,279	314,042	6,836,932

(*) Impaired loans are composed of group three, four and five loans . Under the Provisions Regulation

(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days. , Under the Provisions Regulation

(***) Value adjustments represents general provisions of non-performing loans. , Under the Provisions Regulation

Information on Changes in Value Adjustments and Credit Provisions

Current Period December 31, 2018	Opening Balance (before TFRS 9) 31 December 2017	Remeasure- ments	Opening Balance (after TFRS 9) 1 January 2018	Provisions reserved during the period	Cancelations	Other Adjustments ^(*)	Closing Balance
Specific provisions (stage 3)	6,836,932	(679,383)	6,157,549	3,073,899	(938,450)	(26,234)	8,266,764
General provisions (stage 1-2)	1,885,493	641,898	2,527,391	1,434,767	(801,200)	(34,863)	3,126,095

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

Prior Period December 31, 2017	The opening Balance	Provisions amounts set aside during the period	The cancelation of the provisions	Other Adjustments ^(*)	Closing Balance
Specific provisions	5,532,608	2,214,490	(937,669)	27,503	6,836,932
General provisions	2,167,443	208	(280,949)	(1,209)	1,885,493

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

(**) The TL 500,000 which occurs under the General Provisions on the current period, has been cancelled as of December 31, 2017, and free provision was made in the same amount.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

Fair value of collateral held against impaired loans

	Current Period – December 31, 2018
Cash collateral (*)	-
Mortgage	4,688,013
Promissory note (*)	-
Others (**)	6,441,295
Total	11,129,308

	Prior Period – December 31, 2017
Cash collateral (*)	-
Mortgage	3,108,721
Promissory note (*)	-
Others (**)	4,834,465
Total	7,943,186

(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

(**) Sureties obtained for impaired loans are presented in this raw to the extent that the amount does not exceed the amount of impaired loans.

The detail of collateral held against performing cash and non-cash loans by the Group

Cash loans	Current Period - December 31, 2018
Secured Loans:	177,119,503
Secured by mortgages	1,326,416
Secured by cash collateral	50,382,823
Guarantees issued by financial institutions	24,387,795
Secured by government institutions or government securities	491,853
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	100,530,616
Unsecured Loans	51,630,976
Total performing loans	228,750,479

Cash loans	Prior Period - December 31, 2017
Secured Loans:	144,015,639
Secured by mortgages	46,691,223
Secured by cash collateral	804,174
Guarantees issued by financial institutions	617,766
Secured by government institutions or government securities	19,124,808
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	76,777,668
Unsecured Loans	45,499,393
Total performing loans	189,515,032

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CONSOLIDATED CREDIT RISK (Continued)

The detail of collateral held against performing cash and non-cash loans by the Group (Continued)

Non-cash loans	Current Period - December 31, 2018
Secured Loans:	36,850,380
Secured by mortgages	236,830
Secured by cash collateral	4,239,700
Guarantees issued by financial institutions	666,677
Secured by government institutions or government securities	211,207
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	31,495,966
Unsecured Loans	29,178,617
Total performing loans	66,028,997
<hr/>	
Non-cash loans	Prior Period - December 31, 2017
Secured Loans:	24,609,912
Secured by mortgages	3,210,379
Secured by cash collateral	149,782
Guarantees issued by financial institutions	239,268
Secured by government institutions or government securities	570,608
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,439,875
Unsecured Loans	26,713,790
Total non-cash loans	51,323,702

Exposures subject to countercyclical capital buffer

Current Period - December 31, 2018

Country	RWA Calculations for	RWA calculations for	Total
Turkey	203,647,712	-	203,647,712
France	3,147,971	-	3,147,971
England	2,893,040	-	2,893,040
USA	2,190,962	-	2,190,962
Netherlands	959,026	-	959,026
Iraq	382,689	-	382,689
Switzerland	329,301	-	329,301
Austria	292,175	-	292,175
Germany	190,434	-	190,434
Belgium	114,462	-	114,462
Other	7,738,563	-	7,738,563
Total	221,886,335	-	221,886,335

Prior Period - December 31, 2017

Country	RWA Calculations for	RWA calculations for	Total
Turkey	165,183,221	-	165,183,221
England	1,743,516	-	1,743,516
France	1,367,860	-	1,367,860
USA	2,098,103	-	2,098,103
Netherlands	462,605	-	462,605
Iraq	414,494	-	414,494
Niger	248,828	-	248,828
Germany	230,123	-	230,123
Austria	158,427	-	158,427
Switzerland	118,788	-	118,788
Other	4,674,859	-	4,674,859
Total	176,700,824	-	176,700,824

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. 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 December 31, 2018 and December 31, 2017, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

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

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

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

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	5.2800	6.0387
<u>Foreign currency purchase rates for the days before balance sheet date;</u>		
Day 1	5.2729	6.0467
Day 2	5.2868	6.0272
Day 3	5.2798	6.0140
Day 4	5.3022	6.0258
Day 5	5.2966	6.0518
	US Dollar	Euro
Last 30-days arithmetical average rate	5.3048	6.0348

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period – December 31, 2018	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	13,797,192	7,785,969	5,441,928	27,025,089
Banks	2,185,949	3,751,636	203,041	6,140,626
Financial assets at fair value through profit or loss	-	76,799	-	76,799
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,044,784	1,100,243	-	3,145,027
Loans ⁽¹⁾⁽²⁾	41,922,498	46,731,831	101,595	88,755,924
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	712,041	6,891,181	-	7,603,222
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,746	10,130	-	11,876
Intangible assets	335	-	-	335
Other assets ⁽³⁾	1,791,067	6,993,830	5,726	8,790,623
Total assets	62,455,615	73,341,619	5,752,290	141,549,524
<i>Liabilities:</i>				
Bank deposits	1,144,660	3,827,756	777,891	5,750,307
Foreign currency deposits	33,533,915	31,782,524	3,089,686	68,406,125
Interbank money market takings	761,511	1,498,661	-	2,260,172
Other funding	17,251,533	25,527,170	14,573	42,793,276
Securities issued	5,953,366	8,707,542	-	14,660,908
Miscellaneous payables	1,521,238	305,761	3,823	1,830,822
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽⁴⁾	633,511	10,481,079	8,528	11,123,118
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 ⁽⁵⁾	12,125,172	36,297,298	1,775,373	50,197,843
Derivative liabilities ⁽⁵⁾	13,251,799	25,506,529	3,623,821	42,382,149
Non-cash loans ⁽⁶⁾	11,249,674	16,729,404	423,623	28,402,701
Prior Period - December 31, 2017	Avro	ABD Doları	Diğer YP	Toplam
Total assets	37,222,119	65,202,842	6,871,680	109,296,641
Total liabilities	38,874,988	69,228,054	2,260,915	110,363,957
Net ‘on balance sheet’ position	(1,652,869)	(4,025,212)	4,610,765	(1,067,316)
Net ‘off-balance sheet’ position	2,191,663	4,803,952	(4,607,585)	2,388,030
Derivative assets ⁽⁵⁾	5,174,385	18,670,060	270,591	24,115,036
Derivative liabilities ⁽⁵⁾	2,982,722	13,866,108	4,878,176	21,727,006
Non-cash loans ⁽⁶⁾	5,616,304	12,773,108	277,946	18,667,358

⁽¹⁾ Foreign currency indexed loans amounting to TL 2,798,062 (December 31, 2017: TL 4,702,183) which are presented in TL column in the balance sheet are included in the table above.

⁽²⁾ Foreign currency indexed factoring receivables amounted to TL 64,047 (December 31, 2017: TL 259,923) presented in TL column in the accompanying consolidated balance sheet are included.

⁽³⁾ Prepaid expenses amounting to TL 147,130 (December 31, 2017: TL 95,376) and derivative financial assets resulting from currency exchange rate rediscounts amounting to TL 65,978 (December 31, 2017: TL 13,982) are not included.

⁽⁴⁾ Unearned revenues amounting to 276,692 TL (31 December 2017: 197,598 TL) , deferred tax liability amounting to 681 TL (31 December 2017: 60,252) ,) currency-induced rediscounts arising from derivatives transactions amounting to 103,841 TL (31 December 2017: 34,557 TL and equities amounting to 572,000 TL (31 December: 631,816 TL) are not included.

⁽⁵⁾ Asset purchase commitments amounting to TL 795,287 (December 31, 2017: TL 232,555) and asset sales commitments amounting to TL 1,457,340 (December 31, 2017: TL 728,635) are included.

⁽⁶⁾ Non-cash loans are not taken into consideration in the currency position account.

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III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10% depreciation of the TL against the following currencies as at and for the year ended December 31, 2018 and December 31, 2017 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	Current Period- December 31, 2018	
	Profit or loss	Equity ^(*)
US Dollar	199,177	199,177
Euro	52,717	138,861
Other currencies	934	934
Total, net ^(**)	252,828	338,972

	Prior Period- December 31, 2017	
	Profit or loss	Equity ^(*)
US Dollar	77,112	77,112
Euro	53,674	114,642
Other currencies	318	318
Total, net ^(**)	131,104	192,072

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

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

10% appreciation of the TL against the following currencies as at and for the year ended December 31, 2018 and 2017 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- December 31, 2018	
	Profit or loss	Equity ^(*)
US Dollar	(199,177)	(199,177)
Euro	(52,717)	(138,861)
Other currencies	(934)	(934)
Total, net ^(**)	(252,828)	(338,972)

	Prior Period- December 31, 2017	
	Profit or loss	Equity ^(*)
US Dollar	(77,112)	(77,112)
Euro	(53,674)	(114,642)
Other currencies	(318)	(318)
Total, net ^(**)	(131,104)	(192,072)

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

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

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IV. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

Current Period- December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	10,446,033	-	-	-	-	22,045,424	32,491,457
Banks	3,540,882	598,137	307,355	292,915	-	1,964,819	6,704,108
Financial assets at fair value through profit/loss	36,748	38,616	12,582	24,367	6,931	105,261	224,505
Interbank money market placements	6,839	-	-	-	-	-	6,839
Financial assets at fair value through other comprehensive	832,803	1,345,230	3,316,167	2,911,635	2,463,148	3,451	10,872,434
Loans ^(***)	98,878,963	15,026,180	37,017,046	53,827,915	20,769,622	3,130,475	228,650,201
Financial assets measured at amortized cost	6,261,935	4,753,806	11,852,582	9,416,963	7,695,224	-	39,980,510
Other assets ^(*)	608,685	1,286,300	331,069	2,001,941	222,357	21,258,054	25,708,406
Total assets	120,612,888	23,048,269	52,836,801	68,475,736	31,157,282	48,507,484	344,638,460
<i>Liabilities:</i>							
Bank deposits	5,059,669	1,394,781	212,887	-	-	397,156	7,064,493
Other deposits	94,731,367	30,193,000	13,141,273	1,690,674	19,820	35,635,082	175,411,216
Interbank money market takings	27,032,125	770,764	196,271	1,124,712	-	-	29,123,872
Miscellaneous payables	-	-	-	-	-	8,028,162	8,028,162
Securities issued	2,135,001	1,715,079	4,478,582	14,443,829	-	-	22,772,491
Funds borrowed	9,556,510	21,644,977	9,030,298	3,217,685	1,551,792	431,595	45,432,857
Other liabilities ^(**)	70,419	659,578	1,554,315	7,666,698	8,601,480	38,252,879	56,805,369
Total liabilities	138,585,091	56,378,179	28,613,626	28,143,598	10,173,092	82,744,874	344,638,460
On balance sheet long position	-	-	24,223,175	40,332,138	20,984,190	-	85,539,503
On balance sheet short position	(17,972,203)	(33,329,910)	-	-	-	(34,237,390)	(85,539,503)
Off-balance sheet long position	1,298,343	5,660,915	155,265	-	-	-	7,114,523
Off-balance sheet short position	-	-	-	(2,439,725)	(763,794)	-	(3,203,519)
Net position	(16,673,860)	(27,668,995)	24,378,440	37,892,413	20,220,396	(34,237,390)	3,911,004

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

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

^(***) Non-performing loans and net offsets of stage 3 expected loss provisions are shown in the “Non-Interest Bearing” column.

Prior Period – December 31, 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	16,440,969	-	-	-	-	12,215,277	28,656,246
Banks	11,171,891	879,741	8,187	-	-	1,263,980	13,323,799
Financial assets at fair value through profit/loss	391,812	520,939	204,870	831,608	119,101	7,893	2,076,223
Interbank money market placements	1,657,596	957	509	-	-	-	1,659,062
Available-for-sale financial assets	3,082,642	1,597,538	4,238,724	4,339,735	1,268,375	43,370	14,570,384
Loans and receivables	80,929,714	12,062,986	31,934,009	40,514,706	20,001,115	1,106,254	186,548,784
Held-to-maturity investments	986,375	2,743,646	6,217,027	4,327,554	2,491,469	-	16,766,071
Other assets ^(*)	106,487	655,271	1,357,788	1,726,514	118,216	13,294,161	17,258,437
Total assets	114,767,486	18,461,078	43,961,114	51,740,117	23,998,276	27,930,935	280,859,006
<i>Liabilities:</i>							
Bank deposits	8,268,276	842,741	177,301	-	-	491,073	9,779,391
Other deposits	81,487,029	24,794,960	10,977,089	1,328,034	41,321	29,580,042	148,208,475
Interbank money market takings	22,019,375	15,047	140,509	449,402	64,742	-	22,689,075
Miscellaneous payables	-	-	-	-	-	7,333,030	7,333,030
Securities issued	1,247,389	2,099,508	6,106,438	9,251,597	1,165,827	-	19,870,759
Funds borrowed	9,507,413	11,377,264	6,276,171	2,328,262	1,663,576	235,102	31,387,788
Other liabilities ^(**)	21,172	170,988	518,411	4,097,325	2,292,989	34,489,603	41,590,488
Total liabilities	122,550,654	39,300,508	24,195,919	17,454,620	5,228,455	72,128,850	280,859,006
On balance sheet long position	-	-	19,765,195	34,285,497	18,769,821	-	72,820,513
On balance sheet short position	(7,783,168)	(20,839,430)	-	-	-	(44,197,915)	(72,820,513)
Off-balance sheet long position	1,267,350	3,559,363	140,118	-	162,518	-	5,129,349
Off-balance sheet short position	-	-	-	(2,683,485)	-	-	(2,683,485)
Net position	(6,515,818)	(17,280,067)	19,905,313	31,602,012	18,932,339	(44,197,915)	2,445,864

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period – December 31, 2018	Euro	US Dollar	Yen	TL
	%	%	%	%
<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	2.93	5.64	-	19.63
Funds borrowed	1.94	4.67	-	17.77
Prior Period – December 31, 2017				
	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.19	4.02	-	14.18
Financial assets at fair value through profit/loss	-	11.82	-	13.81
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	4.25	4.12	-	11.96
Loans and receivables	4.81	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
<i>Liabilities:</i>				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.72	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.61
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.73
Funds borrowed	1.32	3.21	-	13.37

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

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

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

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

Prior Period – December 31, 2017	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	310,918	310,918	310,918
1.Stocks Investments Group A	310,918	310,918	310,918
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	396,553	291,653	-

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

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

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

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

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

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

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V. CONSOLIDATED STOCK POSITION RISK (Continued)

Portfolio	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
Portfolio Prior Period – December 31, 2017					
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	61,709	61,709	-	-
4. Total	-	61,709	61,709	-	-

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

Explanations on Equity Shares Risk Arising from Banking Book

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

Portfolio Prior Period – December 31, 2017	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	310,918	310,918	24,873
3.Other Stocks	396,553	396,553	31,724
4. Total	707,471	707,471	56,597

VI. 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 Group. The framework of liquidity risk of the Parent Bank is specified with Liquidity Risk Management Document. In the framework of liquidity risk management, policies regarding liquidity risk management are written down by Risk Management Department and fundamental principles, analyses regarding measurement and monitoring risk, basic rudiments on early warning indicators, liquidity buffer and limits are included.

The 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 contribute to the integrated liquidity risk management structure with the Parent Bank’s all associates.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Liquidity management in the Parent Bank is carried out under Treasury Department in regard to the Parent Bank’s strategic goals and projections, decisions taken in Asset/Liability Committee, treasury policies, limits defined under market circumstances, the Parent Bank’s balance sheet and income goals and strategies defined to meet these goals. Daily, weekly, and monthly cash flow statements are prepared in accordance with principles of profitability and prudence in the Parent 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 reports and liquidity stress tests in the internal measurement of liquidity risk. In Liquidity gap analysis and liquidity stress scenarios, the Bank’s compensation level of net cash outflows which are more likely to happen in short term are presented. Measurements regarding liquidity risk are performed by Risk Management Department and measurement results are reported regularly to performer units responsible of management of the related risk and top management and the Board of Directors.

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

The Parent Bank’s Foreign Currency and total liquidity coverage ratio averages are calculated weekly related to the last three months. The highest value and the lowest value occurred in this period are given below:

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

Liquidity Coverage Ratio

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

⁽⁹⁾ Simple arithmetic average, calculated for the last three months, of the values calculated by taking monthly simple arithmetic average.

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

The Parent Bank’s Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages are calculated weekly related to the last three months. The highest value and the lowest value occurred in the prior period are given below:

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	October 2017	90.46	October 2017	234.96
The highest value	December 2017	113.84	November 2017	243.80

Liquidity Coverage Ratio

Prior Period	Total unweighted value *		Total weighted value*	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1	Total High Quality Liquid Assets (HQLA)		33,505,586	25,644,408
CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	70,335,436	23,781,944	5,969,007
3	Stable deposits	21,290,720	-	1,064,536
4	Less stable deposits	49,044,716	23,781,944	4,904,471
5	Unsecured wholesale funding, of which:	74,578,648	24,655,317	33,317,354
6	Operational deposits	42,220,678	9,265,950	10,555,169
7	Non-operational deposits	21,448,893	10,756,239	12,468,677
8	Unsecured debt	10,909,077	4,633,128	10,293,508
9	Secured wholesale funding			-
10	Additional requirements of which:	8,543,708	7,227,802	8,543,708
11	Outflows related to derivative exposures and other collateral requirements	8,543,708	7,227,802	8,543,708
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	-	-	-
14	Other contractual funding obligations	20,138,527	19,648,287	1,006,926
15	Other contingent funding obligations	58,701,959	14,361,983	6,142,479
16	TOTAL CASH OUTFLOWS			54,979,474
CASH INFLOWS				
17	Secured lending	-	-	-
18	Inflows from fully performing exposures	20,616,630	9,611,013	15,834,400
19	Other cash inflows	5,979,988	5,657,958	5,979,988
20	TOTAL CASH INFLOWS	26,596,618	15,268,971	21,814,388
			Upper Limit Applied Values	
21	TOTAL HQLA		33,505,586	25,644,408
22	TOTAL NET CASH OUTFLOWS		33,165,086	10,709,379
23	LIQUIDITY COVERAGE RATIO (%)		101.92	239.48

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

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VI. 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 Ministry of Treasury and Finance.

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period – December 31, 2018	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	29,925,009	2,566,448	-	-	-	-	-	32,491,457
Banks	1,964,818	2,974,512	1,164,508	307,355	292,915	-	-	6,704,108
Financial assets at fair value through profit/loss	34,101	26,370	33,450	17,862	29,464	12,097	71,161	224,505
Interbank money market placements	-	6,839	-	-	-	-	-	6,839
Financial assets at fair value through other comprehensive	-	131,504	615,583	1,836,535	5,044,188	3,241,173	3,451	10,872,434
Loans	-	21,932,592	7,133,228	41,970,263	94,205,987	60,277,657	3,130,474	228,650,201
Financial assets measured at amortized cost	-	84,591	1,574,115	1,991,249	19,685,216	16,645,339	-	39,980,510
Other assets	15,779	1,719,959	196,431	752,816	3,725,971	496,085	18,801,365	25,708,406
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
Liabilities:								
Bank deposits	397,156	5,059,670	1,394,780	212,887	-	-	-	7,064,493
Other deposits	36,315,589	95,054,703	29,655,304	12,437,963	1,919,636	28,021	-	175,411,216
Funds borrowed	-	2,481,148	3,917,309	17,846,735	14,838,188	6,349,477	-	45,432,857
Interbank money market takings	-	26,500,499	674,788	-	1,656,338	292,247	-	29,123,872
Securities issued	-	2,036,781	1,627,258	3,617,961	15,490,491	-	-	22,772,491
Miscellaneous payables	3,577	26,676	155,255	90,160	2,235	-	7,750,259	8,028,162
Other liabilities	97,624	1,931,122	1,399,641	1,591,017	5,728,534	4,768,038	41,289,393	56,805,369
Total liabilities	36,813,946	133,090,599	38,824,335	35,796,723	39,635,422	11,437,783	49,039,652	344,638,460
Liquidity gap	(4,874,239)	(103,647,784)	(28,107,020)	11,079,357	83,348,319	69,234,568	(27,033,201)	-
Net Off Balance Sheet Position	-	(18,521)	106,118	396,112	2,851,166	407,765	-	3,742,640
Receivables from Derivative Financial Instruments	-	10,693,888	1,692,537	4,265,904	24,324,945	16,398,541	-	57,375,815
Payables from Derivative Financial Instruments	-	10,712,409	1,586,419	3,869,792	21,473,779	15,990,776	-	53,633,175
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,713,980	7,067,292	1,137,888	433,979	66,028,997
Prior Period – December 31, 2017								
Total assets	29,970,756	30,113,078	7,703,109	36,938,146	106,325,658	57,729,995	12,078,264	280,859,006
Total liabilities	30,123,512	120,627,784	30,938,749	31,902,986	23,974,261	11,467,155	31,824,559	280,859,006
Liquidity gap	(152,756)	(90,514,706)	(23,235,640)	5,035,160	82,351,397	46,262,840	(19,746,295)	-
Net Off Balance Sheet Position	-	94,163	5,183	113,226	1,271,821	974,446	-	2,458,839
Receivables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
Payables from Derivative Financial Instruments	-	4,099,721	3,231,490	2,782,671	12,718,703	6,613,427	-	29,446,012
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848	242,136	51,323,702

(*) 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 and non-performing loans net-off related provision for expected loss of stage 3 are shown in this column.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as %7.50. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2017: %6.39). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period – December 31, 2018
Total asset amount in the consolidated financial statements prepared as per TAS (1)	318,522,522
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks (1)	152,878
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(4,433,639)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	25,122,669
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	54,283,204
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(125,285,736)
Total risk amount	393,163,314
	Prior Period – December 31, 2017
Total asset amount in the consolidated financial statements prepared as per TAS (1)	279,530,397
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks (1)	(1,328,609)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(2,434,636)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	7,733,292
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	18,349,982
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts (2)	(98,128,516)
Total risk amount	316,732,130

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

(2) The amounts represent June 30, 2018 and December 31, 2017 balances of consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. CONSOLIDATED LEVERAGE RATIO (Continued)

Leverage ratio common disclosure template

	Current Period – December 31, 2018 ^(*)
On-balance sheet exposures	
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	341,611,734
2. Assets deducted in determining Basel III Tier 1 capital	(498,291)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	341,113,443
Derivative exposures	
4. Replacement cost	4,856,647
5. Add-on amount	948,387
6. Total derivative exposures	5,805,034
Securities financing transaction exposures	
7. Gross SFT assets (with no recognition of accounting netting)	4,467,510
8. Agent transaction exposures	-
9. Total securities financing transaction exposures	4,467,510
Other off-balance sheet exposures	
10. Off-balance sheet exposures with gross nominal amount	133,891,351
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(46,071,519)
12. Total off-balance sheet exposures	87,819,832
Capital and total exposures	
13. Tier 1 capital	32,931,165
14. Total exposures	439,205,819
Leverage ratio	
15. Leverage ratio	7.50
Prior Period – December 31, 2017 ^(*)	
On-balance sheet exposures	
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	271,106,074
2. Assets deducted in determining Basel III Tier 1 capital	(416,652)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	270,689,422
Derivative exposures	
4. Replacement cost	2,364,565
5. Add-on amount	625,658
6. Total derivative exposures	2,990,223
Securities financing transaction exposures	
7. Gross SFT assets (with no recognition of accounting netting)	657,737
8. Agent transaction exposures	-
9. Total securities financing transaction exposures	657,737
Other off-balance sheet exposures	
10. Off-balance sheet exposures with gross nominal amount	100,555,644
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(18,084,578)
12. Total off-balance sheet exposures	82,471,066
Capital and total exposures	
13. Tier 1 capital	22,786,340
14. Total exposures	356,808,448
Leverage ratio	
15. Leverage ratio	6.39

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Current Period – December 31, 2018	Carrying Value	Fair Value
Financial Assets:		
Receivables from Interbank Money Markets	6,839	6,839
Banks	6,704,108	6,704,108
Financial Assets at Fair Value through Other Comprehensive Income	10,872,434	10,872,434
Income		
Assets Measured at Amortised Cost	39,980,510	36,328,383
Loans	228,650,201	225,023,936
Financial Liabilities:		
Bank Deposits	7,064,493	7,064,493
Other Deposits	175,411,216	175,137,004
Funds Borrowed	45,432,857	45,322,174
Marketable Securities	22,772,491	22,685,896
Subordinated Loans	13,022,023	13,103,514
Prior Period – December 31, 2017		
Financial Assets:		
Receivables from Interbank Money Markets	1,659,062	1,659,062
Banks	13,323,799	13,323,799
Available-for-Sale Financial Assets	14,570,384	14,570,384
Held-to-Maturity Investments	16,766,071	16,466,094
Loans	186,548,784	188,124,330
Financial Leasing Receivables	1,880,200	1,880,200
Factoring Receivables	2,192,302	2,192,302
Financial Liabilities:		
Bank Deposits	9,779,391	9,779,391
Other Deposits	148,208,475	148,014,699
Funds Borrowed	31,387,788	31,362,999
Securities Issued	19,870,759	19,672,545
Subordinated Loans	5,917,137	5,837,524
Miscellaneous Payables	7,333,030	7,333,030

Financial assets at fair value through other comprehensive income assets and measured at amortised cost are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of loans are calculated by discounting future cash flows with the use of current market interest rates.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Fair value of funds borrowed with fixed interest rate are calculated by discounting cash flows with current market interest rates. Fair value of funds borrowed with floating interest rate is calculated according to repricing period by discounting cash flows with current market rates.

Fair value of other assets and liabilities is calculated by adding accumulated acquisition costs and the sum of the interest accrual.

Classification of Fair Value Measurement

TFRS 7 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period - December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:	14,446	210,032	27	224,505
Debt securities	10,164	-	-	10,164
Equity securities	2,887	69,766	27	72,680
Other financial assets	1,395	140,266	-	141,661
Financial assets at fair value through other comprehensive income	8,876,012	1,992,971	3,451	10,872,434
Government debt securities	7,895,462	1,927,912	-	9,823,374
Equity securities	-	-	3,451	3,451
Other financial assets	980,550	65,059	-	1,045,609
Investments in affiliates and subsidiaries	353,407	-	788,230 ^(*)	1,141,637
Total Financial Assets	9,243,865	2,203,003	791,708	12,238,576
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(2,552,248)	-	(2,552,248)
Total Financial Liabilities	-	(2,552,248)	-	(2,552,248)

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Prior Period December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	13,048	2,063,175	-	2,076,223
Debt securities	6,729	116,924	-	123,653
Derivative financial assets held for trading purpose	-	1,946,251	-	1,946,251
Investment funds	5,380	-	-	5,380
Equity securities	939	-	-	939
Available-for-sale financial assets	11,554,994	3,015,375	15	14,570,384
Equity securities	-	43,355	15	43,370
Debt securities	11,554,994	2,972,020	-	14,527,014
Investments in associates and subsidiaries	310,918	-	291,653 (*)	602,571
Total Financial Assets	11,878,960	5,078,550	291,668	17,249,178
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,180,542)	-	(1,180,542)
Total Financial Liabilities	-	(1,180,542)	-	(1,180,542)

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

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended December 31, 2018 is as follows:

Current Period – December 31, 2018	Level 3
Balance at the beginning of the year	291,668
Total gains or losses for the year recognized in profit or loss	-
Total gains or losses for the year recognized under equity	500,040
Balance at the end of the year	791,708
Prior Period – December 31, 2017	Level 3
Balance at the beginning of the year	298,720
Total gains or losses for the year recognized in profit or loss	-
Total gains or losses for the year recognized under equity	(7,052)
Balance at the end of the year	291,668

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

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

X. CONSOLIDATED SEGMENT REPORTING

The Parent Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, 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 Parent Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently.

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period – December 31, 2018	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	7,140,628	17,997,327	9,795,120	24,168	34,957,243
<i>Interest income from loans</i>	7,140,628	17,797,268	2,964,627	-	27,902,523
<i>Interest income from reserve deposits</i>	-	-	389,604	-	389,604
<i>Interest income from securities portfolio</i>	-	-	6,090,312	-	6,090,312
<i>Interest income from banks</i>	-	-	329,852	-	329,852
<i>Interest income from money market transactions</i>	-	-	20,725	-	20,725
<i>Finance lease income</i>	-	200,059	-	-	200,059
<i>Other interest income</i>	-	-	-	24,168	24,168
Interest Expense	8,341,245	7,055,595	7,863,112	269,785	23,529,737
<i>Interest expense on deposits</i>	8,341,245	6,637,420	558,753	-	15,537,418
<i>Interest expense on funds borrowed</i>	-	418,175	1,181,599	-	1,599,774
<i>Interest expense on money market transactions</i>	-	-	3,557,193	-	3,557,193
<i>Interest expense on securities issued</i>	-	-	2,094,967	-	2,094,967
<i>Other interest expenses</i>	-	-	470,600	269,785	740,385
Net Interest Income	(1,200,617)	10,941,732	1,932,008	(245,617)	11,427,506
Net Fees and Commissions Income	737,963	1,179,605	233,480	-	2,151,048
Trading Income/ Losses (Net)	-	-	822,830	-	822,830
Dividend Income	-	-	50,011	-	50,011
Other Income (*)	-	-	-	3,945,443	3,945,443
Provision For Losses on Loans and Other Receivables	687,608	4,338,334	17,327	-	5,043,269
Other Expenses (**)	-	-	-	7,720,372	7,720,372
Income/Loss From Investments Under Equity Accounting	-	-	56,576	-	56,576
Profit Before Taxes	(1,150,262)	7,783,003	3,077,578	(4,020,546)	5,689,773
Provision for taxes	-	-	-	-	(1,085,295)
Net Profit/ Loss					4,604,478
SEGMENT ASSETS					
Securities Portfolio	-	-	51,077,449	-	51,077,449
Derivative Financial Assets Held for Trading Purpose	-	-	4,413,383	-	4,413,383
Banks and Receivables From Money Markets	-	-	6,710,947	-	6,710,947
Investments in Associates and Subsidiaries	-	-	1,125,289	-	1,125,289
Loans and Receivables	51,672,411	129,189,702	47,788,088	-	228,650,201
Other Assets	-	-	36,072,874	16,588,317	52,661,191
TOTAL ASSETS	51,672,411	129,189,702	147,188,030	16,588,317	344,638,460
SEGMENT LIABILITIES					
Deposits	92,194,464	83,216,752	7,064,493	-	182,475,709
Derivative Financial Liabilities Held for Trading Purpose	-	-	2,552,248	-	2,552,248
Interbank Money Market Takings	-	-	29,123,872	-	29,123,872
Funds Borrowed	-	3,089,366	42,343,491	-	45,432,857
Securities Issued	-	-	22,772,491	-	22,772,491
Other Liabilities	-	903	13,025,077	13,432,010	26,457,990
Provisions and Tax Liabilities	-	-	-	6,717,540	6,717,540
Equity	-	-	-	29,105,753	29,105,753
TOTAL LIABILITIES AND EQUITY	92,194,464	86,307,021	116,881,672	49,255,303	344,638,460

(*) TL 1,346,870 amount of 3,945,443 shown in other income line consists of earnings from insurance premiums, TL 938,450 rejecting dividend reserves from previous periods, TL801,200 from the reversal of loan reserves for the first and second stage, TL 210,465 of income from sale of Bank's assets, TL 36,269 from communication income, TL 192,039 from leasing income, TL 165,143 individual pension activities and remaining TL 255,007 of other income.

(**) TL 2,452,360 amount of 7,720,372 shown in other expense line consists of personnel expenses, TL 3,140,934 of other operating expenses, TL 209,555 of depreciation expenses, TL 276,496 of dividend reserve expenses to be given to personnel, TL 197,864 of Saving Deposit Insurance Fund (SDIF) expenses, TL 369,491 of taxes, duties, charges and funds expenses, TL 13,107 of pension compensation payments, TL 96,101 of cumulative/non-cumulative commission expenses, TL 240,480 of production commission expenses and remaining 723,984 of other expenses.

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X. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	5,627,234	11,312,319	5,086,543	19,083	22,045,179
<i>Interest income from loans</i>	<i>5,627,234</i>	<i>10,984,327</i>	<i>1,704,015</i>	-	<i>18,315,576</i>
<i>Interest income from reserve deposits</i>	-	-	<i>221,541</i>	-	<i>221,541</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,914,538</i>	-	<i>2,914,538</i>
<i>Interest income from banks</i>	-	-	<i>210,696</i>	-	<i>210,696</i>
<i>Interest income from money market transactions</i>	-	-	<i>35,753</i>	-	<i>35,753</i>
<i>Finance lease income</i>	-	<i>138,960</i>	-	-	<i>138,960</i>
<i>Other interest income</i>	-	<i>189,032</i>	-	<i>19,083</i>	<i>208,115</i>
Interest Expense	4,372,191	4,762,843	3,866,395	71,876	13,073,305
<i>Interest expense on deposits</i>	<i>4,372,191</i>	<i>4,578,537</i>	<i>249,892</i>	-	<i>9,200,620</i>
<i>Interest expense on funds borrowed</i>	-	<i>184,306</i>	<i>656,766</i>	-	<i>841,072</i>
<i>Interest expense on money market transactions</i>	-	-	<i>1,553,389</i>	-	<i>1,553,389</i>
<i>Interest expense on securities issued</i>	-	-	<i>1,059,739</i>	-	<i>1,059,739</i>
<i>Other interest expenses</i>	-	-	<i>346,609</i>	<i>71,876</i>	<i>418,485</i>
Net Interest Income	1,255,043	6,549,476	1,220,148	(52,793)	8,971,874
Net Fees and Commissions Income	497,841	653,288	84,421	-	1,235,550
Trading Income/ Losses (Net)	-	-	194,447	-	194,447
Dividend Income	-	-	47,481	-	47,481
Other Income ^(*)	-	-	-	3,085,245	3,085,245
Provision For Losses on Loans and Other Receivables	484,334	1,827,038	30,979	500,207	2,842,558
Other Expenses ^(**)	-	-	-	5,734,147	5,734,147
Income/Loss From Investments Under Equity Accounting	-	-	51,481	-	51,481
Profit Before Taxes	1,268,550	5,375,726	1,566,999	(3,201,902)	5,009,373
Provision for taxes	-	-	-	-	(992,027)
Net Profit/ Loss					4,017,346
SEGMENT ASSETS					
Securities Portfolio	-	-	31,466,427	-	31,466,427
Derivative Financial Assets Held for Trading Purpose	-	-	1,946,251	-	1,946,251
Banks and Receivables From Money Markets	-	-	14,982,861	-	14,982,861
Investments in Associates and Subsidiaries	-	-	664,101	-	664,101
Loans and Receivables	48,230,054	107,804,983	30,513,747	-	186,548,784
Other Assets	-	4,072,502	29,037,351	12,140,729	45,250,582
TOTAL ASSETS	48,230,054	111,877,485	108,610,738	12,140,729	280,859,006
SEGMENT LIABILITIES					
Deposits	68,788,960	79,419,515	9,779,391	-	157,987,866
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,180,542	-	1,180,542
Interbank Money Market Takings	-	-	22,689,075	-	22,689,075
Funds Borrowed	-	571,707	30,816,081	-	31,387,788
Securities Issued	-	-	19,870,759	-	19,870,759
Other Liabilities	-	437	6,683,061	10,547,605	17,231,103
Provisions and Tax Liabilities	-	-	-	6,888,908	6,888,908
Equity	-	-	-	23,622,965	23,622,965
TOTAL LIABILITIES AND EQUITY	68,788,960	79,991,659	91,018,909	41,059,478	280,859,006

^(*) TL 937,669 amount of TL 3,085,245 of income from reversal of the specific provisions for loans from prior periods, TL 1,207,630 of acquired insurance premiums, TL 149,607 of income from the sale of Group's assets, TL 43,602 of communications income, TL 102,575 of income from private pension activities, TL 770 of leasing income and the remaining TL 643,392 of other operating income.

^(**) TL 1,979,798 amount of TL 5,734,147 shown in other expense line consists of personnel expenses, TL 2,413,794 of other operating expenses, TL 180,430 of depreciation expense, TL 168,500 of dividend reserve expenses to be given to personnel, TL 168,783 of Saving Deposits Insurance Fund (SDIF) expenses, 163,010 of taxes, duties, charges and fund expenses, TL 9,807 of pension compensation payments, TL 91,727 of cumulative/non-cumulative commission expenses, TL 251,574 of production commission expenses and remaining 306,724 of other expenses.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT

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

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

Risk Management Strategy

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

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

Within the scope of the general principles and principles observed by The Group in the context of risk management, the internal capital adequacy assessment process (İSEDES) is established in parallel with the budgeting process to determine the internal capital targets consistent with the risk profile and the activity environment and the effects of scenario outcomes on the Group projections is evaluated.

As a part of risk appetite structure of the Parent Bank, risk limits are set and over-limit exemptions and early warning levels are observed/followed. The limits are reviewed regularly according to the developments in the market condition, the Parent Bank strategy and risk appetite and updated if necessary. Apart from the limits, early warning levels are determined. In case of approaching or exceeding the limits, the appropriate units are taking the related actions.

The risks may arise from the new products and services and effects of these risks are analyzed. For the quantification of quantifiable risks and the qualitative evaluation of non-quantifiable. Effective and applicable systems which are compatible with the Parent Bank's product range and fields of activity are developed.

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

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

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

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

The Risk Management Department uses the methods appropriate to national legislation and international practices to evaluate and monitor the developments in risks, to take necessary measures, to establish risk limits, to stay within the specified limits, and to perform the necessary analysis, measurement and reporting.

The development of risk culture in parallel with the changes in the economic conjuncture and risk perception is an important element of the Bank and aims to ensure risk awareness and sensitivity in the actions to be taken. In this respect, training programs, risk measurements and reports provided to the Board of Directors, Senior Management and risk reporting to the committees, the Bank’s risk appetite framework and internal capital adequacy assessment process make a significant contribution to the dissemination of risk culture.

Risk weighted amounts

Current Period – December 31, 2018		Risk Weighted Amount	Minimum Capital Requirements
1	Credit Risk (excluding counterparty credit risk) ^(*)	228,487,742	18,279,019
2	Standardised approach	228,487,742	18,279,019
3	Internal rating based approach	-	-
4	Counterparty Credit Risk	5,091,337	407,307
5	Standardised approach for counterparty credit risk	5,091,337	407,307
6	Internal model method	-	-
7	Equity position in banking book under basic risk weighting or internal rating based	-	-
8	Equity investments in funds – look-through approach	1,395	112
9	Equity investments in funds – mandate-based approach	-	-
10	Equity investments in funds – 1250% weighted risk approach	-	-
11	Settlement Risk	-	-
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	Market risk	1,409,588	112,767
17	Standardised approach	1,409,588	112,767
18	Internal model approaches	-	-
19	Operational Risk	17,136,335	1,370,907
20	Basic Indicator Approach	17,136,335	1,370,907
21	Standardised approach	-	-
22	Advanced measurement approach	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	252,126,397	20,170,112

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period – December 31, 2017		Risk Weighted Amount	Minimum Capital Requirements
1	Credit Risk (excluding counterparty credit risk)⁽⁹⁾	176,588,946	14,127,116
2	Standardised approach	176,588,946	14,127,116
3	Internal rating based approach	-	-
4	Counterparty Credit Risk	2,834,489	226,759
5	Standardised approach for counterparty credit risk	2,834,489	226,759
6	Internal model method	-	-
7	Equity position in banking book under basic risk weighting or internal rating based	-	-
8	Equity investments in funds – look-through approach	263	21
9	Equity investments in funds – mandate-based approach	-	-
10	Equity investments in funds – 1250% weighted risk approach	-	-
11	Settlement Risk	-	-
12	Securitization positions in banking accounts	-	-
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	Market risk	799,860	63,989
17	Standardised approach	799,860	63,989
18	Internal model approaches	-	-
19	Operational Risk	14,523,725	1,161,898
20	Basic Indicator Approach	14,523,725	1,161,898
21	Standardised approach	-	-
22	Advanced measurement approach	-	-
23	The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	156,490	12,519
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	194,903,773	15,592,302

⁽⁹⁾ Except for the amount of the discount threshold under the equity.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

2. Linkages between Financial statements and Regulatory Exposures

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

Current Period – December 31, 2018	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to securitization	Subject to market risk	
Assets						
Cash and balances at central bank	32,491,457	32,491,457	-	-	-	-
Banks	6,704,108	6,704,108	-	-	-	-
Receivables from Money Markets	6,839	-	-	-	-	-
Financial assets at fair value through profit or loss	224,505	217,884	-	-	6,621	-
Financial assets at fair value through other comprehensive income	10,872,434	10,732,964	2,496,293	-	139,470	-
Financial assets measured at amortised cost	39,980,510	39,980,510	29,029,809	-	-	-
Derivative financial assets	4,413,383	-	4,413,383	-	148,414	-
Non-performing financial assets	-	-	-	-	-	-
Allowance for expected credit losses (-)	36,238	-	-	-	-	36,238
Loans (Net)	228,650,201	228,648,757	-	-	-	1,444
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	1,568,113	1,568,113	-	-	-	-
Investments in associates (Net)	805,409	805,409	-	-	-	-
Leasing receivables	319,880	319,880	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Tangible Assets (Net)	2,844,506	2,625,802	-	-	-	218,704
Intangible Assets And Goodwill (Net)	286,511	-	-	-	-	286,511
Investment properties (net)	607,400	-	-	-	-	-
Currents Tax Assets (Net)	2	-	-	-	-	-
Deferred Tax Assets	188,968	188,968	-	-	-	-
Other assets	14,710,472	14,710,472	-	-	-	-
Total assets	344,638,460	338,994,324	35,939,485	-	294,505	542,897
Liabilities						
Deposits	182,475,709	-	-	-	-	182,475,709
Loans Received	45,432,857	-	-	-	-	45,432,857
Money Market Funds	29,123,872	-	28,539,924	-	-	583,948
Marketable Securities (Net)	22,772,491	-	-	-	-	22,772,491
Funds	3,054	-	-	-	-	3,054
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	2,552,248	-	2,552,248	-	148,413	-
Factoring Payables	903	-	-	-	-	903
Lease Payables	-	-	-	-	-	-
Provisions	5,828,655	-	-	-	-	5,828,655
Current Tax Liabilities	857,164	-	-	-	-	857,164
Deferred Tax Assets	31,721	-	-	-	-	31,721
Liabilities Related to Non-Current Assets "Held for Sale" and "Discontinued Operations" (Net)	1,546	-	-	-	-	1,546
Subordinated debts	13,022,023	-	-	-	-	13,022,023
Other Liabilities	13,430,464	-	-	-	-	13,430,464
Shareholders' Equity	29,105,753	-	-	-	-	29,105,753
Total liabilities	344,638,460	-	31,092,172	-	148,413	313,546,288

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period – December 31, 2017	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	28,656,246	28,656,246	-	-	-	-
Financial assets held for trading	2,076,223	-	2,076,223	-	49,126	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	13,323,799	13,323,799	-	-	-	-
Receivables from money markets	1,659,062	1,659,062	-	-	-	-
Available for sale financial assets (net)	14,570,384	14,143,749	2,019,945	-	426,635	-
Loans and receivables	186,548,784	186,547,429	-	-	-	1,355
Factoring receivables	2,192,302	-	-	-	-	-
Held to maturity investments (net)	16,766,071	16,766,071	7,767,018	-	-	-
Investments in associates (net)	384,454	384,454	-	-	-	-
Investments in subsidiaries (net)	279,647	279,647	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	1,880,200	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,731,409	1,544,548	-	-	-	186,861
Intangible assets (net)	255,462	-	-	-	-	255,462
Investment properties (net)	423,498	-	-	-	-	-
Tax assets	63,612	63,612	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,312,728	1,312,728	-	-	-	-
Other assets	8,735,125	8,735,125	-	-	-	-
Total assets	280,859,006	273,416,470	11,863,186	-	475,761	443,678
Liabilities						
Deposits	157,987,866	-	-	-	-	157,987,866
Derivative financial liabilities held for trading	1,180,542	-	1,180,542	-	49,131	1,180,542
Loans	31,387,788	-	-	-	-	31,387,788
Debt to money markets	22,689,075	-	9,157,688	-	-	13,531,387
Debt securities in issue	19,870,759	-	-	-	-	-
Funds	3,206	-	-	-	-	3,206
Various debts	7,333,030	-	-	-	-	7,333,030
Other liabilities	3,977,293	-	-	-	-	3,977,293
Factoring debts	437	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	6,127,041	-	-	-	-	6,127,041
Tax liability	761,867	-	-	-	-	761,867
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,917,137	-	-	-	-	5,917,137
Equity	23,622,965	-	-	-	-	23,622,965
Total liabilities	280,859,006	-	10,338,230	-	49,131	251,830,122

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Current Period – December 31, 2018		Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	344,095,563	338,994,324	-	35,939,485	294,505
2	Liabilities carrying value amount under regulatory scope of consolidation	31,092,172	-	-	31,092,172	(148,413)
3	Total net amount under regulatory scope of consolidation	313,003,391	338,994,324	-	4,847,313	146,092
4	Off-balance sheet amounts	-	-	-	5,228,916	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	1,414,385	-
10	Exposure amounts considered for regulatory	313,003,391	338,994,324	-	6,643,301	146,092

Prior Period - December 31, 2017		Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	280,415,328	273,416,470	-	11,863,186	475,761
2	Liabilities carrying value amount under regulatory scope of consolidation	29,028,884	-	-	10,338,230	(49,131)
3	Total net amount under regulatory scope of consolidation	251,386,444	273,416,470	-	1,524,956	426,630
4	Off-balance sheet amounts	133,361,088	31,380,550	-	2,750,005	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	(4,242,235)	-	-	-
9	Differences due to risk reduction	-	-	-	569,987	-
10	Exposure amounts considered for regulatory	384,747,532	300,554,785	-	3,319,992	426,630

c) Explanations of differences between accounting and regulatory exposure amounts

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

3. Credit Risk Explanations

a) General Information on Credit Risk

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

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

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

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

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

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

Credit Quality of Assets

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

Prior Period - December 31, 2017		Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
		Defaulted Exposures	Non-Defaulted Exposures		
1	Loans	7,943,186	189,515,032	6,836,932	190,621,286
2	Debt Securities	-	30,989,432	124,809	30,864,623
3	Off-balance sheet exposure	169,355	81,684,427	75,942	81,777,840
4	Total	8,112,541	302,188,891	7,037,683	303,263,749

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Changes in Stock of Defaulted Loans and Debt Securities^(*)

		Current Period- December 31, 2018
1	Defaulted Loans and debt securities at end of the previous reporting period	7,943,186
2	Loans and debt securities that have defaulted since the last reporting period	6,649,099
3	Returned to non-defaulted status	6,764
4	Amounts written-off	61,382
5	Other Changes	(3,531,123)
6	Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)	11,129,308
		Prior Period- December 31, 2017
1	Defaulted Loans and debt securities at end of the previous reporting period	6,703,383
2	Loans and debt securities that have defaulted since the last reporting period	3,216,747
3	Returned to non-defaulted status	106,595
4	Amounts written-off	4,054
5	Other Changes	(1,866,295)
6	Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)	7,943,186

^(*) Indemnified non-cash loans of the firms which are followed under “Non-performing Loans” accounts are not included in the table.

Additional disclosure related to the credit quality of assets:

As per the provisions of “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Set Aside” published by BRSA, capital and interest payments, and loans unpaid within their maturity or on their due date are accepted to be overdue. Loans the collection of whose capital and interest payments are overdue more than 90 days and the loans whose debtors are decided by the Bank to have lost their credit ratings are deemed to be depreciated or loans for which provision is allocated.

The Parent Bank calculates its expected loss provisions in scope of TFRS 9, as laid out in detail in Information on Expected Loss Provisions no. VIII in the Accounting Policies.

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

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

Breakdown of receivables in terms of geographic regions

Curret Period - December 31, 2018	Credit receivables/risks
Domestic	209,453,985
European Union Countries	733,234
OECD Countries ^(*)	-
Off-Shore Banking Regions	-
USA, Canada	1,924,528
Other	16,638,732
Toplam	228,750,479

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

Prior Period - December 31, 2017	Credit receivables/risks
Domestic	179,159,737
European Union Countries	538,912
OECD Countries ^(*)	-
Off-Shore Banking Regions	-
USA, Canada	1,801,673
Other	8,014,710
Toplam	189,515,032

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Breakdown of loan receivables by sector

Current Period- December 31, 2018			
Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	1,669,369	263,864	187,054
Farming and raising livestock	1,613,427	250,429	175,462
Forestry	10,742	9,912	8,737
Fishing	45,200	3,523	2,855
Manufacturing	52,582,342	2,241,670	1,682,839
Mining and Quarrying	4,571,678	194,057	147,181
Production	33,884,453	2,031,587	1,522,131
Electricity, Gas, Water	14,126,211	16,026	13,527
Construction	25,799,135	1,244,569	898,168
Services	86,824,366	4,072,268	2,895,293
Wholesale and Retail Trade	33,059,323	2,637,366	1,927,627
Accommodation and Dining	8,650,664	173,345	120,236
Transportation and Telecommunication	26,460,693	461,921	346,566
Financial Institutions	5,183,265	23,539	18,657
Real Estate and Rental Services	8,938,636	243,646	134,857
Professional Services	2,439,502	387,163	242,170
Educational Services	1,182,019	44,868	29,722
Health and Social Services	910,264	100,420	75,457
Other	61,875,267	3,306,937	2,603,410
Total	228,750,479	11,129,308	8,266,764
Prior Period- December 31, 2017			
Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	1,209,251	69,085	55,315
Farming and raising livestock	1,173,437	64,741	51,758
Forestry	14,575	2,258	2,093
Fishing	21,239	2,086	1,464
Manufacturing	40,923,643	1,628,025	1,307,257
Mining and Quarrying	3,109,601	134,821	128,422
Production	28,997,739	1,487,022	1,172,949
Electricity, Gas, Water	8,816,303	6,182	5,886
Construction	24,141,609	801,891	707,644
Services	66,970,456	2,979,614	2,589,472
Wholesale and Retail Trade	28,155,555	2,049,107	1,804,680
Accommodation and Dining	5,873,037	107,964	93,282
Transportation and Telecommunication	14,036,041	405,285	346,845
Financial Institutions	4,833,015	23,368	22,498
Real Estate and Rental Services	9,580,561	96,090	87,526
Professional Services	2,820,378	185,072	151,398
Educational Services	970,503	20,029	19,385
Health and Social Services	701,366	92,699	63,858
Other	56,270,073	2,464,571	2,177,244
Total	189,515,032	7,943,186	6,836,932

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Breakdown by outstanding maturity

Current Period- December 31, 2018						
Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
-	21,932,592	7,133,228	41,970,263	94,205,987	63,408,131	228,650,201

Prior Period- December 31, 2017						
Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
27,331	15,033,785	5,711,157	33,139,366	85,661,984	45,868,907	185,442,530

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

Breakdown by of provision allocated receivables by geographical area

Current Period - December 31, 2018		
Geographical area	Loans Receivables(Risks)	Provisions
Domestic	10,968,253	8,143,439
European Union Countries	127,513	113,385
OECD Countries ^(*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,900	9,297
Other	642	643
Total	11,129,308	8,266,764

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

Prior Period- December 31, 2017		
Geographical area	Loans Receivables(Risks)	Provisions
Domestic	7,819,393	6,742,126
European Union Countries	90,963	87,466
OECD Countries ^(*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,130	6,643
Other	700	697
Total	7,943,186	6,836,932

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

Aging analysis for overdue receivables

	Current Period - December 31, 2018
31-60 days overdue	2,291,111
61-90 days overdue	1,865,347

Loan receivables with overdue loans are taken into consideration.

	Prior Period- December 31, 2017
31-60 days overdue	1,409,349
61-90 days overdue	813,948

Loan receivables with overdue loans are taken into consideration.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Payment Plan Extensions		Current Period- December 31, 2018
Standard Loans		1,266,637
Loans Under Close Monitoring		6,916,542
Non-performing Loans		273,455
Payment Plan Extensions		Prior Period- December 31, 2017
Standard Loans		2,664,938
Loans Under Close Monitoring		1,558,327
Non-performing Loans		335,136

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Parent Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", published in the Official Gazette dated September 6, 2014, numbered 29111 simple financial guarantee method is used for financial guarantees. Cash and cash equivalents, Treasury Support Containing Credit Guarantee Fund Securities and guarantees are used to mitigate credit risk.

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

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

Credit Risk Mitigation Techniques

Current Period – December 31, 2018		Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	157,274,241	71,375,960	53,821,706	27,968,835	25,400,943	-	-
2	Debt Securities	50,890,556	-	-	-	-	-	-
3	Total	208,164,797	71,375,960	53,821,706	27,968,835	25,400,943	-	-
4	Of which Defaulted	11,129,308	-	-	-	-	-	-
Prior Period- December 31, 2017		Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	112,239,146	78,382,140	66,629,280	3,652,598	3,128,437	-	-
2	Debt Securities	30,864,623	-	-	-	-	-	-
3	Total	143,103,769	78,382,140	66,629,280	3,652,598	3,128,437	-	-
4	Of which Defaulted	7,943,186	-	-	-	-	-	-

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

c) Credit risk under Standardized approach

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

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

Current Period - December 31, 2018		Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	99,341,255	1,476,549	106,749,337	858,056	10,803,563	10.0%
2	Exposures to regional governments or local authorities	9,531,739	714,779	9,531,739	351,798	4,939,919	50.0%
3	Exposures to public sector entities	386,355	342,073	386,355	162,563	522,478	95%
4	Exposures to multilateral development banks	24,044	-	24,044	-	24,044	100%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	12,604,925	3,091,257	12,604,925	1,918,095	6,174,846	43%
7	Exposures to corporates	102,001,345	87,910,198	94,593,263	32,884,167	125,200,296	98%
8	Retail exposures	50,096,351	29,055,232	50,096,351	3,480,522	39,920,317	75%
9	Exposures secured by residential property	24,221,042	927,883	24,221,042	394,647	8,615,491	35%
10	Exposures secured by commercial real estate	26,166,954	3,311,817	26,166,954	2,098,293	17,522,633	62%
11	Past-due loans	2,862,544	-	2,862,544	-	1,866,824	65%
12	Higher-risk categories by the Agency Board	166,936	1,118	166,936	1,118	252,081	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	1,395	-	1,395	-	1,395	100%
16	Other assets	14,413,521	-	14,413,521	-	11,446,717	79%
17	Investment in equities	1,198,533	-	1,198,533	-	1,198,533	100%
18	Total	343,016,939	126,830,906	343,016,939	42,149,259	228,489,137	59%
Prior Period- December 31, 2017		Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	83,964,302	1,395,677	86,934,545	802,646	5,140,577	6%
2	Exposures to regional governments or local authorities	6,667,730	518,181	6,667,730	241,940	3,416,805	49%
3	Exposures to public sector entities	301,326	311,734	301,326	137,108	425,036	97%
4	Exposures to multilateral development banks	18,032	1,583	18,032	1,583	18,032	92%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	8,266,758	1,990,510	8,266,758	1,264,050	4,260,234	45%
7	Exposures to corporates	72,362,193	66,603,953	69,391,950	23,989,142	91,627,602	98%
8	Retail exposures	47,612,387	24,689,970	47,612,387	3,212,915	37,888,045	75%
9	Exposures secured by residential property	22,850,866	931,214	22,850,866	420,940	8,145,132	35%
10	Exposures secured by commercial real estate	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	62%
11	Past-due loans	1,106,254	-	1,106,254	-	1,106,254	100%
12	Higher-risk categories by the Agency Board	274,628	15,305	274,628	8,635	487,490	172%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	263	-	263	-	263	-
16	Other assets	10,375,891	-	10,375,891	-	8,072,913	78%
17	Investment in equities	707,498	-	707,498	-	707,498	100%
18	Total	278,324,741	98,737,292	278,324,741	31,380,550	176,745,699	57%

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period - December 31, 2018	Asset Classes/ Risk Weight	Risk Weights										Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)	
		0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%			
1	Exposures to central governments or central banks	86,144,899	-	-	-	21,317,862	-	144,632	-	-	-	-	-	107,607,393
2	Exposures to regional governments or local authorities	3,666	-	53	-	9,879,818	-	-	-	-	-	-	-	9,883,537
3	Exposures to public sector entities	3,333	-	28,885	-	-	-	516,700	-	-	-	-	-	548,918
4	Exposures to multilateral development banks	-	-	-	-	-	-	24,044	-	-	-	-	-	24,044
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	116,459	-	4,241,469	-	9,677,074	-	488,018	-	-	-	-	-	14,523,020
7	Exposures to corporates	802,081	-	326,966	-	2,426,959	-	123,921,424	-	-	-	-	-	127,477,430
8	Retail exposures	261,402	-	120,518	-	-	53,194,953	-	-	-	-	-	-	53,576,873
9	Exposures secured by residential property	-	-	-	24,615,689	-	-	-	-	-	-	-	-	24,615,689
10	Exposures secured by commercial real estate	-	-	-	-	21,485,227	-	6,780,020	-	-	-	-	-	28,265,247
11	Past-due loans	-	-	-	-	2,014,166	-	825,654	22,724	-	-	-	-	2,862,544
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	168,054	-	-	-	-	168,054
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	1,395	-	-	-	-	-	1,395
16	Other assets	-	-	-	-	-	-	1,198,533	-	-	-	-	-	1,198,533
17	Investments in equities	2,368,394	-	748,012	-	-	-	11,297,115	-	-	-	-	-	14,413,521
18	Total	89,700,234	-	5,465,903	24,615,689	66,801,106	53,194,953	145,197,535	190,778	-	-	-	-	385,166,198

Prior Period- December 31, 2017	Asset Classes/ Risk Weight	Risk Weights										Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)	
		0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%			
1	Exposures to central governments or central banks	77,478,439	-	90	-	10,236,204	-	22,458	-	-	-	-	-	87,737,191
2	Exposures to regional governments or local authorities	9,934	-	110,209	-	6,789,526	-	-	-	-	-	-	-	6,909,669
3	Exposures to public sector entities	3,704	-	12,118	-	-	-	422,612	-	-	-	-	-	438,434
4	Exposures to multilateral development banks	1,583	-	-	-	-	-	18,032	-	-	-	-	-	19,615
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	738	-	2,681,063	-	6,249,972	-	599,037	-	-	-	-	-	9,530,810
7	Exposures to corporates	368,031	-	225,296	-	2,410,442	-	90,377,323	-	-	-	-	-	93,381,092
8	Retail exposures	238,496	-	94,654	-	-	50,492,152	-	-	-	-	-	-	50,825,303
9	Exposures secured by residential property	-	-	-	23,271,806	-	-	-	-	-	-	-	-	23,271,806
10	Exposures secured by commercial real estate	-	-	-	-	19,336,772	-	5,781,432	-	-	-	-	-	25,118,204
11	Past-due loans	-	-	-	-	-	-	1,106,254	-	-	-	-	-	1,106,254
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	220,667	-	62,596	-	-	283,263
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	263	-	-	-	-	-	263
16	Other assets	-	-	-	-	-	-	707,498	-	-	-	-	-	707,498
17	Investments in equities	1,998,789	-	380,234	-	-	-	7,996,866	-	-	-	-	-	10,375,889
18	Total	80,099,714	-	3,503,664	23,271,806	45,022,916	50,492,152	107,031,776	220,667	-	62,596	-	-	309,705,291

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

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

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty credit risk (CCR) approach analysis

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

Prior Period - December 31, 2017		Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	2,150,962	599,043			2,750,005	1,537,085
2	Standard approach - KKR (for derivatives)				1.4	-	-
3	Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)					-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					569,987	142,856
5	A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					14	5
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
6	Total						1,679,946

Capital requirement for credit valuation adjustment (CVA)

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

Prior Period - December 31, 2017		EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation			
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	2,750,005	1,154,133
4	Total subject to the CVA capital obligation	2,750,005	1,154,133

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standard Approach - Counterparty Credit Risk (CCR) Exposures by Risk Classes and Risk Weights

Current Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures ^(*)
Claims from central governments and central banks	27,818,088	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	2,838	-	165	-	-	-	-	-	-	33
Claims from administration and non commercial entity	2,000	-	-	-	-	-	116	-	-	116
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,042,615	-	3,095,911	-	6,910,724	-	296,662	-	-	4,371,206
Corporates	30,453	-	-	-	-	-	706,524	-	-	706,524
Retail portfolios	1,096	-	-	-	-	17,943	-	-	-	13,457
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	29,897,090	-	3,096,076	-	6,910,724	17,943	1,003,302	-	-	5,091,336

(*) Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures ^(*)
Claims from central governments and central banks	6,839,359	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,514	-	36	-	-	-	-	-	-	7
Claims from administration and non commercial entity	473	-	-	-	-	-	11	-	-	11
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,438,621	-	1,406,086	-	3,663,551	-	469,757	-	-	2,582,750
Corporates	1,173	-	-	-	-	-	248,647	-	-	248,647
Retail portfolios	966	-	-	-	-	4,099	-	-	-	3,074
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	9,282,106	-	1,406,122	-	3,663,551	4,099	718,415	-	-	2,834,489

(*) Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Collaterals for counterparty credit risk

Current Period – December 31, 2018	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	28,667,189	-
Cash-foreign currency	-	-	-	-	2,883,913	-
Domestic sovereign debts	-	-	-	-	-	3,508
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	31,551,102	3,508

Prior Period – December 31, 2017	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	7,193,065	-
Cash-foreign currency	-	-	-	-	2,593,898	-
Domestic sovereign debts	-	-	-	-	-	3,486
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	9,786,963	3,486

Loan Derivatives

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

Prior Period - December 31, 2017	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	72,125	140,118
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	72,125	140,118
Fair Values		
Positive fair values (asset)	7,631	-
Negative fair values (liability)	-	24,444

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

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

Prior Period - December 31, 2017		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		410
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	20,494	410
3	(i) OTC Derivatives	20,494	410
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

5. Explanations on Securitizations

None.

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

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

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

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

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

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

Market Risk- Standardised approach

Current Period - December 31, 2018		RWA
Outright products		
1	Interest rate risk (general and specific)	827,863
2	Stock risk (general and specific)	13,242
3	Foreign exchange risk	564,944
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	3,539
7	Scenario approach	-
8	Securitisation	-
9	Total	1,409,588
Prior Period - December 31, 2017		RWA
Outright products		
1	Interest rate risk (general and specific)	267,113
2	Stock risk (general and specific)	15,206
3	Foreign exchange risk	483,713
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	33,828
7	Scenario approach	-
8	Securitisation	-
9	Total	799,860

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

7. Explanations on Operational Risk

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

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

The whole Parent bank personnel is responsible from the deduction and control of the operational risks in the context of their mission and work processes. All of the units of the Parent bank are obligated to take precautions about the risk deduction aspect related with their on operations via insurance and other risk transfer mechanisms.

Current Period- December 31, 2018	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	7,355,711	9,438,300	10,624,126	9,139,379	15	1,370,907
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	17,136,335

Prior Period December 31, 2017	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,443,949	7,355,711	9,438,300	7,745,987	15	1,161,898
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	14,523,725

8. Interest Rate Risk Related to Banking Book

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

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

Current Period - December 31, 2018	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,552,723)/2,137,321	(%6.27) / %5.25
2	EURO	200/(200)	(938,509) / 395,960	(%2.31) / %0.97
3	USD	200/(200)	358,642 / (315,420)	%0.88 / (%0.77)
	Total (for negative shocks)	-	2,217,861	%5.45
	Total (for positive shocks)	-	(3,132,589)	(%7.70)

Prior Period - December 31, 2017	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,370,615) / 2,318,845	(%8.22) / %8.04
2	EURO	200/(200)	(537,399) / 364,920	(%1.86) / %1.27
3	USD	200/(200)	513,644 / (536,219)	%1.78 / (%1.86)
	Total (for negative shocks)	-	2,147,546	%7.45
	Total (for positive shocks)	-	(2,394,370)	(%8.30)

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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 - December 31, 2018	TL	FC
Cash	1,455,938	889,991
Central Bank of the Republic of Turkey (*)	3,393,478	25,750,911
Other	616,952	384,187
Total	5,466,368	27,025,089

Prior Period - December 31, 2017	TL	FC
Cash	1,395,384	595,490
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997
Other	350,955	37,317
Total	4,021,442	24,634,804

(*) TL 13,916,246 (December 31, 2017: TL 20,815,769) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from %1.5 to %8 (December 31, 2017: ranging from %4 to %10.5). For foreign currency liabilities, all banks shall provide a reserve rate ranging from %4 to %20 in US Dollar or Euro (December 31, 2017: ranging from %4 to %24).

Balances with the Central Bank of the Republic of Turkey

Current Period - December 31, 2018	TL	FC
Unrestricted demand deposits	3,278,383	9,268,217
Unrestricted time deposits	-	-
Restricted time deposits	-	2,566,448
Reserve Deposits	115,095	13,916,246
Total	3,393,478	25,750,911

Prior Period - December 31, 2017	TL	FC
Unrestricted demand deposits	2,209,475	3,186,228
Unrestricted time deposits	-	-
Restricted time deposits	-	-
Reserve Deposits	65,628	20,815,769
Total	2,275,103	24,001,997

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Current Period - December 31, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	13,936	6,040
Other	-	-
Total	13,936	6,040

Prior Period - December 31, 2017	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	-	1,552
Other	-	-
Total	-	1,552

Trading securities subject to repurchase agreements

None.

Positive differences on derivative financial assets

Current Period - December 31, 2018	TL	FC
Forward transactions	77,316	7,772
Swap transactions	3,953,573	370,502
Futures	-	-
Options	192	4,028
Other	-	-
Total	4,031,081	382,302

Positive differences on derivative financial assets held for trading purpose

Prior Period - December 31, 2017	TL	FC
Forward transactions	20,577	5,365
Swap transactions	1,780,873	138,506
Futures	-	-
Options	433	497
Other	-	-
Total	1,801,883	144,368

3. Information on banks

Current Period - December 31, 2018	TL	FC
Banks		
Domestic	562,559	1,476,672
Foreign	923	4,663,954
Foreign Head Offices and Branches	-	-
Total	563,482	6,140,626

Prior Period - December 31, 2017	TL	FC
Banks		
Domestic	1,176,047	1,957,624
Foreign	849	10,189,279
Foreign Head Offices and Branches	-	-
Total	1,176,896	12,146,903

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

Due from foreign banks

Current Period - December 31, 2018	Unrestricted Balance	Restricted Balances ^(**)
EU Countries	1,568,328	-
USA, Canada	2,106,922	584,868
OECD Countries ^(*)	35,875	-
Off-shore Banking Regions	1,459	-
Others	367,425	-
Total	4,080,009	584,868

Prior Period - December 31, 2017	Unrestricted Balance	Restricted Balances ^(**)
EU Countries	916,102	-
USA, Canada	8,563,253	339,989
OECD Countries ^(*)	91,584	-
Off-shore Banking Regions	1,223	-
Others	277,977	-
Total	9,850,139	339,989

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

^(**) Restricted balances that occur from securitisation loans and other common banking activities.

4. Information on available-for-sale financial assets

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

Current Period - December 31, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	91,730	46,690
Other	-	-
Total	91,730	46,690

Available-for-sale financial assets given as collateral or blocked

Prior Period - December 31, 2017	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	8,553,659	344,646
Other	-	-
Total	8,553,659	344,646

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

Current Period - December 31, 2018	TL	FC
Government bonds	2,466,748	-
Treasury bills	-	-
Other debt securities	-	29,545
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Other	-	-
Total	2,466,748	29,545

Available-for-sale financial assets subject to repurchase agreements

Prior Period - December 31, 2017	TL	FC
Government bonds	1,682,275	-
Treasury bills	-	-
Other debt securities	-	156,751
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Total	1,682,275	156,751

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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 – December 31, 2018
Debt securities	11,045,816
Quoted on a Stock Exchange	11,045,816
Unquoted	-
Equity securities	3,451
Quoted on a Stock Exchange	-
Unquoted	3,451
Provisions for impairment losses (-)	176,833
Total	10,872,434

Information on available-for-sale financial assets

	Prior Period - December 31, 2017
Debt securities	14,649,567
Quoted on a Stock Exchange	14,649,567
Unquoted	-
Equity securities	43,370
Quoted on a Stock Exchange	-
Unquoted	43,370
Provisions for impairment losses (-)	122,553
Total	14,570,384

5. Information on loans

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

Current Period - December 31, 2018	Cash	Non-Cash
Direct loans provided to the shareholders	-	44,668
Legal entities	-	44,668
Real persons	-	-
Indirect loans provided to the shareholders	-	-
Loans provided to the employees	173,151	40
Total	173,151	44,708
Prior Period - December 31, 2017	Cash	Non-Cash
Direct loans provided to the shareholders	-	38,243
Legal entities	-	38,243
Real persons	-	-
Indirect loans provided to the shareholders	-	-
Loans provided to the employees	140,344	313
Total	140,344	38,556

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Current Period - December 31, 2018

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

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

Prior Period - December 31, 2017

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified		Loans and other receivables	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	175,748,884	2,664,938	-	5,443,050	1,558,327	-
Loans given to enterprises	61,848,581	1,837,235	-	2,454,411	1,228,903	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,136,947	-	-	4,480	-	-
Consumer loans	40,450,594	365,935	-	1,509,321	274,776	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
Specialized lending	-	-	-	-	-	-
Other receivables	27,331	-	-	-	-	-
Total	175,776,215	2,664,938	-	5,443,050	1,558,327	-

Current 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)

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

Current Period - December 31, 2018

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
Extended for 1 or 2 times	1,266,637	6,909,258
Extended for 3,4 or 5 times	-	7,119
Extended for more than 5 times	-	165

<i>Extended period of time</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
0-6 Months	-	48,610
6-12 Months	19	933,208
1-2 Years	43,989	431,680
2-5 Years	523,458	3,962,523
5 Years and Over	699,171	1,540,521

Prior Period - December 31, 2017

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

<i>Extended period of time</i>	<i>Standard Loans and Other Receivables (*)</i>	<i>Loans and other receivables under close monitoring (*)</i>
0-6 Months	11,488	1,035
6-12 Months	113,343	8,606
1-2 Years	58,323	23,959
2-5 Years	1,163,249	977,007
5 Years and Over	1,318,535	268,336

(*) The a and b paragraph of the 4th article of the 5th paragraph is the loan balances which change in contract conditions according to the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.27947 dated May 28, 2011.

Maturity analysis of cash loans

Current Period - December 31, 2018	Loans under close monitoring		
	<i>Standard loans</i>	<i>Loans not Subject to Restructuring</i>	<i>Agreement conditions modified</i>
Short-term Loans	53,339,815	3,323,384	828,119
Medium, Long-term Loans	154,846,109	10,313,139	6,099,913

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>	<i>Loans and Other Receivables</i>	<i>Restructured or Rescheduled Loans and Other Receivables</i>
Prior Period - December 31, 2017				
Short-term Loans and Other Receivables	40,281,664	30,278	2,043,156	62,739
Loans	40,281,664	30,278	2,043,156	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other	135,494,551	2,634,660	3,399,894	1,495,588
Loans	135,467,220	2,634,660	3,399,894	1,495,588
Specialization loans	-	-	-	-
Other Receivables	27,331	-	-	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	573,114	39,344,936	39,918,050
Housing loans	16,254	18,950,268	18,966,522
Automobile loans	6,463	423,169	429,632
General purpose loans	550,397	19,971,499	20,521,896
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	1,878	5,035	6,913
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,878	5,035	6,913
Other	-	-	-
Retail credit cards – TL	5,174,880	93,414	5,268,294
With instalment	2,271,719	82,305	2,354,024
Without instalment	2,903,161	11,109	2,914,270
Retail credit cards – FC	12,071	-	12,071
With instalment	-	-	-
Without instalment	12,071	-	12,071
Personnel loans – TL	4,477	57,389	61,866
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,477	57,389	61,866
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	77,776	454	78,230
With instalment	30,276	411	30,687
Without instalment	47,500	43	47,543
Personnel credit cards – FC	248	-	248
With instalment	-	-	-
Without instalment	248	-	248
Overdraft Checking Accounts – TL (Real person)	2,613,639	-	2,613,639
Overdraft Checking Accounts – FC (Real person)	158	-	158
Total	8,458,241	39,501,228	47,959,469

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Instalment based commercial loans and corporate credit cards

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

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,169,354	43,812,223	44,981,577
Real estate loans	1,154	1,049,786	1,050,940
Automobile loans	88,063	1,940,882	2,028,945
General purpose loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
Instalment-based commercial loans – FC indexed	3,987	1,633,951	1,637,938
Real estate loans	-	-	-
Automobile loans	-	177,864	177,864
General purpose loans	3,987	1,456,087	1,460,074
Other	-	-	-
Instalment-based commercial loans – FC	33,525	10,943,718	10,977,243
Real estate loans	-	-	-
Automobile loans	-	-	-
General purpose loans	10,888	10,225,284	10,236,172
Other	22,637	718,434	741,071
Corporate credit cards – TL	1,761,150	1,708	1,762,858
With instalment	451,980	1,708	453,688
Without instalment	1,309,170	-	1,309,170
Corporate credit cards – FC	1,154	-	1,154
With instalment	-	-	-
Without instalment	1,154	-	1,154
Overdraft Checking Accounts – TL (Corporate)	1,844,329	-	1,844,329
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	4,813,499	56,391,600	61,205,099

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Allocation of loans by customers

	Current Period- December 31, 2018
Public Sector	5,573,448
Private Sector	223,177,031
Total	228,750,479

	Prior Period- December 31, 2017
Public Sector	3,032,772
Private Sector	182,409,758
Total	185,442,530

Allocation of domestic and overseas loans

	Current Period - December 31, 2018
Domestic loans	227,499,403
Foreign loans	1,251,076
Total	228,750,479

	Prior Period - December 31, 2017
Domestic loans	184,512,099
Foreign loans	930,431
Total	185,442,530

Loans to associates and subsidiaries

	Current Period - December 31, 2018
Direct loans to associates and subsidiaries	85
Indirect loans to associates and subsidiaries	-
Total	85

	Prior Period- December 31, 2017
Direct loans to associates and subsidiaries	17
Indirect loans to associates and subsidiaries	-
Total	17

Specific provisions accounted for loans (Stage 3)

	Current Period - December 31, 2018
Loans and receivables with limited collectability	712,622
Loans and receivables with doubtful collectability	1,161,870
Uncollectible loans and receivables	6,392,272
Total	8,266,764

Specific provisions for loans

	Prior Period - December 31, 2017
Loans and receivables with limited collectability	153,441
Loans and receivables with doubtful collectability	430,333
Uncollectible loans and receivables	6,253,158
Total	6,836,932

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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 (Net)

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current period - December 31, 2018			
Gross Amounts Before The Reserves	96,659	196,424	228,364
Loans Which Are Restructured	96,659	196,424	228,364
Prior Period - December 31, 2017			
	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
(Gross amounts before the specific reserves)	80,662	118,684	135,790
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790

Movements in non-performing loan groups

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

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period - December 31, 2017			
Balance at the beginning of the period	946,968	1,107,117	4,649,298
Additions (+)	2,847,948	148,142	220,657
Transfers from other categories of loans under follow-up (+)	-	2,515,964	2,240,565
Transfers to other categories of loans under follow-up (-) ^(*)	2,692,529	2,556,278	119,519
Collections (-)	338,335	340,677	699,155
Write-offs (-)	-	-	4,054
Corporate and commercial loans	-	-	4,054
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	17,074
Balance at the end of the period	764,052	874,268	6,304,866
Specific provisions (-) ^(**)	153,441	430,333	6,253,158
Net balance on balance sheet	610,611	443,935	51,708

^(*) 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.

^(**) After taking the collaterals of the loans amounting TL 32,026, that are classified in group IV, as from December 31, 2017 into account, the Parent Bank had recorded provision over the remaining amount.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - December 31, 2018			
Balance at the end of the period	274,287	155,259	831,298
Specific provision (-)	134,690	73,129	716,577
Net balance on balance sheet	139,597	82,130	114,721
Prior Period - December 31, 2017			
Balance at the end of the period	43,425	12,519	581,510
Specific provision (-)	9,094	7,242	540,597
Net balance on balance sheet	34,331	5,277	40,913

Non-performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

Explanation on Write-off Policy

The total write-off of a financial asset in the Group is essentially a process that has become a default and does not have any expectation that it will be recovered and that these expectations are documented by legal means.

Partial write-offs include the agreement that a financial asset will be repaid in a certain percentage by the debtor and the amount remaining after the payment is removed from the financial statements.

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - December 31, 2018			
Current Period (Net)	913,567	969,315	979,662
Consumer and Commercial Loans (Gross)	1,626,111	2,131,158	7,338,007
Specific Provision (-)	712,576	1,161,855	6,358,552
Consumer and Commercial Loans (Net)	913,535	969,303	979,455
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	78	27	32,376
Specific Provision (-)	46	15	32,169
Other Loans and Receivables (Net)	32	12	207
Prior Period - December 31, 2017			
Prior Period (Net)	610,611	443,935	51,708
Consumer and Commercial Loans (Gross)	763,928	872,720	6,206,914
Specific Provision (-)	153,416	429,559	6,155,206
Consumer and Commercial Loans (Net)	610,512	443,161	51,708
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	99	774	-

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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, discounts and valuation differences calculated for non-performing loans and their provisions.

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period (Net) - December 31, 2018			
Interest accruals and valuation differences	166,028	186,428	62,724
Provision (-)	81,121	101,688	39,017
	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period (Net) (*) - December 31, 2017			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

(*) As of 31 December 2017, the Company does not apply any discount on its non-performing loans in accordance with the Regulation on the Principles and Procedures for Determining of Loan Classifications.

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

Current Period - December 31, 2018	TL	FC
Government bonds	32,326,808	4,618,016
Treasury bills	-	-
Other securities issued by the governments	-	2,795,010
Total	32,326,808	7,413,026

Held-to-maturity debt securities issued by the governments

Prior Period - December 31, 2017	TL	FC
Government bonds	12,235,406	2,022,702
Treasury bills	-	-
Other securities issued by the governments	-	2,263,925
Total	12,235,406	4,286,627

Information on financial assets measured at amortized cost

	Current Period - December 31, 2018
Debt Securities	39,980,510
Quoted at stock exchanges	39,895,439
Unquoted at stock exchanges	85,071
Impairment losses (-)	-
Total	39,980,510

Information on held-to-maturity investment securities

	Prior Period - December 31, 2017
Debt Securities	16,766,071
Quoted at stock exchanges	16,652,591
Unquoted at stock exchanges	113,480
Impairment losses (-)	-
Total	16,766,071

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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 - December 31, 2018
Balances at the beginning of the period	16,766,071
Foreign currency differences on monetary assets	1,144,459
Purchases during the period	11,162,210
IFRS 9 Classification	7,656,572
Disposals through sales/redemptions	(841,350)
Change in Impairment losses	-
Change in amortized costs of the securities (*)	4,092,548
Balances at the end of the period	39,980,510

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

(**) As of January 1, 2018, the 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. Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

The movement table of the held-to-maturity investments

	Prior Period - December 31, 2017
Balances at the beginning of the period	8,180,535
Foreign currency differences on monetary assets	116,077
Purchases during the period	2,423,358
Transfers to available for sale portfolio (**)	7,501,432
Disposals through sales/redemptions	(2,186,864)
Change in Impairment losses	6,758
Change in amortized costs of the securities (*)	724,775
Balances at the end of the period	16,766,071

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

(**) The Parent Bank had classified TL 7,166,704 nominal value of marketable securities, which was followed under available for sale securities portfolio, to held to maturity portfolio on different dates in 2017. These marketable securities are included in the held to maturity portfolio with TL 7,501,432 book value, representing the fair value of the securities as from the dates when the classification occurred. The revaluation differences amounting to TL 63,966 as from the dates when the classification occurred are now being followed under equity, and the composed revaluation differences will be transferred to terminal accounts until the end of the maturity of the securities.

Information on accounts related to financial assets measured at amortized cost

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

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

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

Information on held-to-maturity investments

Prior Period - December 31, 2017	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	5,856,554	1,879,125	6,591,740	1,886,904
Investments subject to repurchase agreements	4,581,632	2,242,632	5,510,791	2,256,226
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	107,882	384,828	132,875	387,535
Total	10,546,068	4,506,585	12,235,406	4,530,665

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank’s Share – If Different, Voting Rights (%)	Bank Risk Group’s Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ	İstanbul/ Turkey	9.70	9.70
3 KKB Kredi Kayıt Bürosu AŞ	İstanbul/ Turkey	9.09	9.09
4 Güçbirliği Holding AŞ	İzmir/ Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ	İstanbul/ Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ (*)	İstanbul/ Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ (*)	Ankara/ Turkey	1.54	1.54
8 Tasfiye Halinde World Vakıf UBB Ltd. (**)	Lefkoşa/TRNC	82.00	85.32

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/(Loss)	Prior Period’s Profit/Loss	Fair Value
1	6,018,300	947,769	1,101,137	23,501	-	(238,103)	173,897	3,845,000
2	117,093	64,965	56,060	3,632	-	15,953	9,004	-
3	342,784	211,006	206,137	16,750	-	41,206	44,798	-
4	145,427	(75,166)	88,092	2	-	(29,481)	(10,162)	-
5	141,021	(95,167)	80,835	5	-	(66,071)	(6,271)	-
6	12,510,449	1,589,589	119,881	449,797	-	323,776	201,251	-
7	572,815	559,224	19,471	33,888	-	101,243	127,873	-
8	1,129	(151,980)	-	38	-	(7,479)	(5,834)	-

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2018.

(**) The financial statement information provided for these associates is taken from the financial statements dated June 30, 2018.

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 under the equity.

In the current 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 Parent Bank amounted to TL 1,551 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Parent Bank amounted to TL 177. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

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

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Parent Bank, was changed as World Vakıf UBB. Ltd. On February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official 123 authorization of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. Will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as “Investments in associates”. The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company’s title has been changed as “World Vakıf UBB Ltd in Liquidation”.

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

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	1,418,466	103,988	7,616	80,886	3,522	19,074	5,231	-
2	38,269,440	4,184,076	981,231	2,347,619	764,692	670,756	611,177	2,222,532

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2018.

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

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 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 - December 31, 2018
Balance at the beginning of the period	302,959
Movements during the period	(106,092)
Transfers	-
Acquisitions	-
Bonus shares received	33,510
Share of current year profit	-
Sales/liquidations	-
Fair value changes	-
Impairment losses	(139,602)
Balance at the end of the period	196,867
Capital commitments	-
Share percentage at the end of period (%)	-

	Prior Period - December 31, 2017
Balance at the beginning of the period	253,457
Movements during the period	49,502
Transfers	-
Acquisitions	-
Bonus shares received	29,321
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,181
Impairment losses	-
Balance at the end of the period	302,959
Capital commitments	-
Share percentage at the end of period (%)	-

Sectoral distribution of consolidated investments and associates

	Current Period - December 31, 2018
Banks	196,867
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	196,867

	Prior Period - December 31, 2017
Banks	302,959
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	302,959

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Quoted associates

	Current Period - December 31, 2018
Quoted at domestic stock exchanges	186,248
Quoted at international stock exchanges	-
Total	186,248

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	292,341
Quoted at international stock exchanges	-
Total	292,341

Investments in associates disposed during the period

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

Investments in associates acquired during the period

In the current period, the Bank have participated establishment of "Turkey Products Inc. Specialized Exchange" with a capital of TL 100,000. In the Company, the nominal share of Bank is TL 3,000 and its share is 3%. The bank has to pay one-quarter of its share in cash, and the remaining three quarters within 24 months of the registration of the Company. Transactions related to the establishment of the company were registered in the trade registry on 8 June 2018. As of June 30, 2018 the Bank has made a payment of one-quarter of its share and the shares amounting to TL 750 has been presented in Purchases in the movement table of investment in associates.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

Current Period - 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 Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet 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	(5,780)	-	-	-	-	-	-	-
Profit Reserves	571,875	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	560,021	-	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	-	-	-	-	-	-
Total Core Capital	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-
CAPITAL	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529
NET AVAILABLE EQUITY	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529

(*) Reviewed BRSA financial statements as of December 31, 2018 are considered.

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

Prior Period - December 31, 2017	Vakıfbank	Vakıf	Vakıf	Vakıf	Güneş	Vakıf	Vakıf	Vakıf	Vakıf	Vakıf
	International	Finansal	Yatırım	Vakıf	Sigorta AŞ	Emeklilik ve	Vakıf Portföy	Gayrimenkul	Kıymet Yat.	Menkul
	AG	Kiralama AŞ	Değerler AŞ	Faktoring AŞ		Hayat AŞ	Yönetimi AŞ	Yat. Ort. AŞ		Ort. AŞ
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500		20,000
Share Premium	-	-	-	-	655	-	-	246,731		-
Adjustment to paid-in capital	-	206	(109)	51	(2,369)	5,832	74	21,600		63
Valuation changes in marketable securities	38,306	3,821	92,327	352	413,605	869	-	-		-
Profit on sale of associates, subsidiaries and buildings	-	16,596	-	-	218,237	50,005	-	547		-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	1,094	-	-	4,010	191	-	-		-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543		395
Extraordinary Reserves	-	33,523	7,368	45,624	19,246	104,880	7,050	108,125		-
Other Profit Reserves	352,474	-	2,308	-	-	-	-	-		-
Profit/Loss	157,216	34,514	21,246	23,195	(331,590)	155,164	7,809	5,469		(3,007)
Prior Period's Profit/Loss	129,784	(18)	1,623	-	(439,449)	73,393	-	-		(3,008)
Current Period's Profit/Loss	27,432	34,532	19,623	23,195	107,859	81,771	7,809	5,469		1
Minority Rights	-	98	-	-	-	-	-	-		-
Total Core Capital	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515		17,451
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-		-
CAPITAL	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515		17,451
NET AVAILABLE EQUITY	673,093	205,138	164,268	145,046	608,973	361,826	28,280	607,515		17,451

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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 ve Hayat AŞ, which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with “Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms” published by Republic of Turkey Undersecretariat of Treasury as six months periods. According to the calculations at December 31, 2018, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	27,804	12,972	1,040	1,236	-	1,316	6,020	22,459
2	395,482	377,985	213,177	13,001	-	23,214	5,653	431,760
3	80,275	57,604	13,816	4,620	-	2,811	3,882	49,463
4	33,619	26,051	842	3,552	-	(59)	(178)	25,428

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2018.

(**) The financial statement information provided for these associates is taken from the financial statements dated December 31, 2017.

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.

In the current 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 parent 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 current 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%.

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

Investments in consolidated subsidiaries

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,610,459	802,284	843,141	150,071	-	10,871	26,493	403,615
2	8,500,254	422,619	164,016	57,238	-	116,707	73,260	1,437,910
3	2,685,802	241,379	992	509,536	-	94,928	23,194	217,106
4	3,085,523	247,159	21,296	201,918	-	40,055	33,819	247,809
5	532,094	205,129	3,775	36,989	1,726	34,198	19,623	264,575
6	5,565,543	890,348	2,209	155,053	-	50,010	23,303	448,398
7	17,924	17,529	305	869	937	102	1	30,275
8	1,695,770	981,030	831,798	9,657	-	40,756	75,357	448,229

(*) Financial information as at September 30, 2018 has been presented for these subsidiaries.

Movement table of consolidated investments in subsidiaries in consolidated financial statements

Current Period - December 31, 2018	
Balance at the beginning of the period	1,950,138
Movements during the period	179,594
Transfers	(52,500)
Acquisitions	433
Bonus shares received	33,104
Share of current year profit	(48,196)
Sales and liquidations	(885)
Fair value changes	261,874
Impairment losses	(14,236)
Balance at the end of the period	2,129,732
Capital commitments	-
Share percentage at the end of the period (%)	-
Prior Period - December 31, 2017	
Balance at the beginning of the period	1,528,228
Movements during the period	421,910
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(16,825)
Sales and liquidations	(232)
Fair value changes	373,209
Impairment losses	13,784
Balance at the end of the period	1,950,138
Capital commitments	-
Share percentage at the end of the period (%)	-

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period - December 31, 2018
Measured at cost	-
Measured at fair value	2,129,732
Equity method of accounting	-
Total	2,129,732

	Prior Period - December 31, 2017
Measured at cost	-
Measured at fair value	1,950,138
Equity method of accounting	-
Total	1,950,138

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period - December 31, 2018
Banks	403,558
Insurance companies	968,850
Factoring companies	170,189
Leasing companies	145,488
Financing companies	-
Other financial subsidiaries	441,647
Total	2,129,732

	Prior Period- December 31, 2017
Banks	362,247
Insurance companies	835,401
Factoring companies	123,551
Leasing companies	136,632
Financing companies	-
Other financial subsidiaries	492,307
Total	1,950,138

Quoted consolidated subsidiaries

	Current Period - December 31, 2018
Quoted at domestic stock exchanges	518,361
Quoted at international stock exchanges	-
Total	518,361

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	578,891
Quoted at international stock exchanges	-
Total	578,891

Consolidated subsidiaries disposed during the period

There is not any disposal in the consolidated subsidiaries in the current year.

Consolidated investments in subsidiaries acquired during the period

Vakıf Portföy Yönetimi AŞ, a subsidiary of the 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.

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

Consolidated investments in subsidiaries acquired during the period (Continued)

In the current 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 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%.

In the current 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 affiliates. After the purchase, the 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%.

In the current 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 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 current 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 by a bonus increase of TL 31,000 to TL 140,000. TL 18,201 corresponding to The Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the current 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 The Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, denomination of Vakıf Emeklilik AŞ has changed to “Vakıf Emeklilik ve Hayat AŞ” on July 26, 2017, respective alteration is registered officially in trade registry.

In the prior period, at the Ordinary General Assembly Meeting held on July 13, 2017, Vakıf Faktoring AŞ, an affiliate of The Parent Bank, has resolved to increase its capital from TL 22,400 by a bonus increase of TL 47,600 to TL 70,000. TL 37,315 corresponding to The Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, it is decided to sell Güneş Sigorta AŞ's 500,000 shares, that are traded in the stock market. After the selling, The Parent Bank's share had decreased to TL 129,643 from TL 130,143. The sold shares, amounting TL 232, are presented in the Sales, in the movement table for the affiliates. After the selling, The Parent Bank's share in Güneş Sigorta AŞ had decreased to 48.02% from 48.20%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 213,000 to TL 217,500 by a bonus increase of TL 4,500 in the Ordinary General Meeting of the Company dated June 16, 2017. The share of The Parent Bank amounting to TL 1,742 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary General Meeting of the Company dated June 14, 2017. The share of The Parent Bank amounting to TL 12,917 is presented in the movement table of investments in associates as bonus shares received.

9. Investments in joint-ventures

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

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

Current Period - December 31, 2018	Gross	Net
Less than 1 year	565,650	535,088
Between 1-4 years	1,883,455	1,644,025
Longer than 4 years	755,179	602,489
Total	3,204,284	2,781,602

Prior Period - December 31, 2017	Gross	Net
Less than 1 year	329,412	315,471
Between 1-4 years	1,268,523	1,092,496
Longer than 4 years	579,828	472,233
Total	2,177,763	1,880,200

Net investments in finance lease receivables

	Current Period - December 31, 2018
Gross finance lease receivables	3,204,284
Unearned income on finance lease receivables (-)	422,682
Terminated lease contracts (-)	-
Net finance lease receivables	2,781,602

	Prior Period - December 31, 2017
Gross finance lease receivables	2,177,763
Unearned income on finance lease receivables (-)	297,563
Terminated lease contracts (-)	-
Net finance lease receivables	1,880,200

Information on 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.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	1,215,322	120,731	23,750	1,454,182	2,813,985
Accumulated depreciation(-)	19,812	115,141	17,268	918,700	1,070,921
Impairment(-)	6,834	-	-	4,821	11,655
Net book value	1,188,676	5,590	6,482	530,661	1,731,409
Balance at the end of the current year:					
Net book value at the beginning of the current year	1,188,676	5,590	6,482	530,661	1,731,409
Additions	491,985	-	40,607	342,732	875,324
Transferred cost	624,419	-	-	-	624,419
Transferred amortisation	27,892	-	-	-	27,892
Cost of the disposals	71,570	22	2,631	99,512	173,735
Classification of Assets Held for Sale and Discontinued Operations	-	-	-	412	412
Classification Among the Tangible Fixed Assets	-	-	-	-	-
Depreciation of the disposals (-)	2,548	17	2,332	14,394	19,291
Depreciation of the current year	9,006	1,900	6,411	151,927	169,244
Classification Among the Depreciation of the Tangible Fixed Assets	-	-	-	-	-
Impairment (-)	23,874	-	-	17,089	40,963
Exchange differences related to foreign associates	-	-	149	6,160	6,309
Cost at the end of the current year	2,260,156	120,709	61,875	1,703,150	4,145,890
Accumulated depreciation at the end of the year (-)	54,162	117,024	21,347	1,056,233	1,248,766
Impairment (-)	30,708	-	-	21,910	52,618
Net book value at the end of the current year	2,175,286	3,685	40,528	625,007	2,844,506

13. Information on intangible assets

Group’s intangible assets consist of computer softwares and licenses. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before December 31, 2004, over their initial costs for the items purchased after December 31, 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist. Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

14. Information on investment properties

As of December 31, 2018, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 101,795 (December 31, 2017: TL 8,377) and its subsidiaries which are operating in real estate investment business is TL 505,605 (December 31, 2017: TL 415,121).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

15. Information on tax assets

a) Current tax assets

As at December 31, 2018 the current tax asset of the Group amounts to TL 2 (December 31, 2017: TL 1,016).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at December 31, 2018 and December 31, 2017:

	Current Period - December 31, 2018
Provision for employee termination benefits and unused vacations	122,272
Other provisions	73,828
Valuation differences of associates and subsidiaries	115,933
Deductible financial losses	16,830
Investment incentives	3,699
Valuation differences of financial assets and liabilities	42,008
Reporting Standards - Tax Code depreciation differences	-
Provision (General Provision)	626,608
Other differences	18,536
Deferred tax assets	1,019,714
Net-off of the deferred tax assets and liabilities from the same entity	(830,746)
Deferred tax assets, (net)	188,968
Valuation differences of financial assets and liabilities	621,513
Valuation difference for associates and subsidiaries	111,720
Valuation differences of properties	93,668
Other differences	35,566
Deferred tax liabilities	862,467
Net-off of the deferred tax assets and liabilities from the same entity	(830,746)
Deferred tax liabilities, (net)	31,721
	Prior Period - December 31, 2017
Provision for employee termination benefits and unused vacations	103,455
Other provisions	57,514
Valuation differences of associates and subsidiaries	55,424
Deductible financial losses	24,099
Investment incentives	373
Valuation differences of financial assets and liabilities	80,160
Reporting Standards - Tax Code depreciation differences	-
Other differences	17,108
Deferred tax assets	338,133
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
Deferred tax assets, (net)	62,596
Valuation differences of financial assets and liabilities	254,360
Valuation difference for associates and subsidiaries	21,501
Valuation differences of properties	51,801
Other differences	22,939
Deferred tax liabilities	350,601
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
Deferred tax liabilities, (net)	75,064

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

As at December 31, 2018 and December 31, 2017, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period - December 31, 2018
As of 1 January	(12,468)
Adjustment according to TAS as of January, 1	(40,408)
Deferred tax income/loss	(244,441)
Deferred tax that is accounted under Equity	(43,408)
Deferred tax that is accounted under general provision	504,448
Exchange differences	(6,476)
Deferred tax asset/(Liability)	157,247
	Prior Period - December 31, 2017
As of 1 January	174,063
Deferred tax income/loss	(160,372)
Deferred tax that is accounted under Equity	(21,448)
Exchange differences	(4,711)
Deferred tax asset/(Liability)	(12,468)

The reconciliation of the deferred tax on the assets directly related to the equity is as follows as of December 31, 2018 and December 31, 2017:

	Current Period - December 31, 2018
Financial assets at fair value through other comprehensive income	(8,688)
Associates and subsidiaries	(21,686)
Tangible assets	(51,682)
Assets held for sale	(5,079)
Actuarial gains and losses	3,319
The effect of changes in accounting policies	40,408
Total	(43,408)
	Prior Period - December 31, 2017
Securities available for sale	(15,709)
Associates and subsidiaries	234
Tangible assets	(18)
Actuarial gains and losses	(5,955)
Total	(21,448)

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

As at December 31, 2018, net book value of assets held for sale of the Group is amounting to TL 1,568,113 (December 31, 2017: TL 1,312,728).

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.

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

The balance sheet, income and expense items of Vakıf Portföy Yönetimi AŞ and the in-group transaction balances are given below.

Assets	Vakıf Portföy	In Group	Total net
Cash and cash equivalents	34,648	(34,648)	-
Financial assets at fair value through profit or loss	93	-	93
Other assets	1,701	-	1,701
Total	36,442	(34,648)	1,794
Liabilities	Vakıf Portföy	In Group	Total net
Provisions	782	-	782
Current tax liabilities	717	-	717
Other liabilities	79	(32)	48
Total	1,578	(32)	1,547
Income and Expense	Vakıf Portföy	In Group	Total net
Interest Income	5,991	(5,918)	73
Interest Expenses	-	-	-
Personnel Expenses	3,714	-	3,714
Trading Income/ Losses (Net)	(1)	-	(1)
Other operating income	11,593	(5,260)	6,333
Other operating expenses	2,784	-	2,784
Provision For Taxes on Income From Continuing Operations	(2,435)	-	(2,435)
Net Profit/Loss From Continuing Operations	8,650	(11,178)	(2,528)

17. Information on other asset

As at December 31, 2018 and December 31, 2017, the details of other assets are as follows:

	Current Period - December 31, 2018
Receivables from insurance operations	1,954,650
Receivables from credit card payments	1,443,032
Prepaid expenses	1,297,047
Guarantees given for repurchase agreements	32,741
Guarantees given for derivative financial instruments	6,891,330
Receivables from term sale of assets	72,096
Receivables from reinsurance companies	53,863
Deferred commission expenses	119,251
Other	2,846,462
Total	14,710,472

	Prior Period - December 31, 2017
Receivables from insurance operations	1,352,349
Receivables from credit card payments	1,173,158
Prepaid expenses	1,097,170
Guarantees given for repurchase agreements	151
Guarantees given for derivative financial instruments	2,749,121
Receivables from term sale of assets	11,116
Receivables from reinsurance companies	60,613
Deferred commission expenses	43,083
Other	2,248,364
Total	8,735,125

18. Information on expected loss provisions for financial assets

	Current Period - December 31, 2018
Cash and balances with the Central Bank of the Republic of Turkey	328
Banks	7,308
Stock securities portfolio	4,665
Other Assets	23,937
Total	36,238

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II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current 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	935,537	40,288	-	16,546,331
Other	3,942,935	-	1,107,213	3,325,545	1,658,781	90,207	221,300	-	10,345,981
Precious metal deposits	2,625,379	-	-	-	-	-	-	-	2,625,379
Bank deposits	397,156	-	1,136,730	4,874,924	440,591	208,860	6,232	-	7,064,493
Central Bank	1,678	-	-	-	-	-	-	-	1,678
Domestic banks	119,838	-	580,017	389,545	35,145	187,479	6,232	-	1,318,256
Foreign banks	110,676	-	245,174	3,952,058	6,068	21,381	-	-	4,335,357
Participation banks	164,964	-	311,539	533,321	399,378	-	-	-	1,409,202
Other	-	-	-	-	-	-	-	-	-
Total	36,712,745	-	26,239,957	89,859,274	12,792,550	6,851,381	10,015,951	3,851	182,475,709

Prior Period December 31, 2017	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	6,056,971	-	3,050,910	31,050,795	2,289,658	270,480	177,229	2,178	42,898,221
Foreign currency deposits	7,190,052	-	2,538,293	24,512,375	1,965,662	2,017,138	7,100,230	-	45,323,750
Residents in Turkey	6,808,852	-	2,536,245	24,058,549	1,430,203	720,911	998,723	-	36,553,483
Residents in abroad	381,200	-	2,048	453,826	535,459	1,296,227	6,101,507	-	8,770,267
Public sector deposits	7,188,859	-	6,443,410	7,672,161	1,141,489	4,439,864	176,770	-	27,062,553
Commercial deposits	3,761,274	-	5,698,290	10,001,770	2,281,607	190,433	8,957	-	21,942,331
Other	3,834,320	-	982,513	3,345,561	1,163,948	21,913	32,402	-	9,380,657
Precious metal deposits	1,600,963	-	-	-	-	-	-	-	1,600,963
Bank deposits	491,073	-	7,033,739	2,058,712	18,565	59,147	118,155	-	9,779,391
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic banks	140,492	-	6,644,460	947,960	18,565	-	-	-	7,751,477
Foreign banks	256,993	-	200,144	768,660	-	59,147	41,441	-	1,326,385
Participation banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	30,123,512	-	25,747,155	78,641,374	8,860,929	6,998,975	7,613,743	2,178	157,987,866

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

Current Period - December 31, 2018	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	26,391,734	27,471,951
Foreign currency saving deposits	8,642,215	25,316,190
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	35,033,949	52,788,141

Prior Period - December 31, 2017	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	21,807,725	21,090,496
Foreign currency saving deposits	6,571,401	15,854,203
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	28,379,126	36,944,699

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

Saving deposits out of insurance coverage limits

	Current Period – December 31, 2018
Deposits and other accounts at foreign branches	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	5,287
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	-
	Prior Period – December 31, 2017
Deposits and other accounts at foreign branches	22,958
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	2,399
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 - December 31, 2018	TL	FC
Forwards	74,131	7,626
Swaps	2,010,204	419,013
Futures	-	-
Options	37,282	3,992
Other	-	-
Total	2,121,617	430,631
	Prior Period - December 31, 2017	TL
Forwards	19,903	5,240
Swaps	961,269	162,879
Futures	-	-
Options	30,336	915
Other	-	-
Total	1,011,508	169,034

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

3. Information on banks and other financial institutions

Current Period - December 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	431,595
Domestic banks and institutions	1,952,650	3,890,809
Foreign banks, institutions and funds	686,931	38,470,872
Total	2,639,581	42,793,276

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	235,102
Domestic banks and institutions	1,321,299	1,452,085
Foreign banks, institutions and funds	936,242	27,443,060
Total	2,257,541	29,130,247

Maturity information of funds borrowed

Current Period - December 31, 2018	TL	FC
Short-term ^(*)	1,662,836	4,479,579
Medium and Long-term ^(*)	976,745	38,313,697
Total	2,639,581	42,793,276

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

Prior Period - December 31, 2017	TL	FC
Short-term ^(*)	1,341,505	3,012,169
Medium and Long-term ^(*)	916,036	26,118,078
Total	2,257,541	29,130,247

^(*) Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for %14.40 (December 31, 2017: %12.20) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

On April 24, 2017, the loan has been renewed with a new syndicated loan amounting to US Dollar 188.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC acting as coordinator, and, National Bank of Abu Dhabi PJSC acting as agent bank. On April 24, 2018, the loan has been renewed with a new syndicated loan amounting to US Dollar 100 million at a maturity of 735 days with the interest rate of US Libor +%2.10 and US Dollar 229 million and Euro 778.75 million at a maturity of 367 days, with the interest rate of US Libor +%1.30 and Euribor +1.20% with participation of 35 banks, Mizuho Bank, LTD and Emirates NBD Bank PJSC acting as coordinator, and first Abu Dhabi PJSC acting as agent bank.

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

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

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

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

On May 4, 2018, The Parent Bank carried out a securitization transaction in the amount of USD 380 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years maturity, in six separate segments. Within the program, 2016-A segment was collected from ING Bank, 2016-B segment from SMBC, 2016-C segment from Standard Chartered Bank, 2016-D segment from Raiffeisen Bank, 2016-E segment from Mizuho Bank, 2016-F segment from Société Générale. In addition to the transactions, The Parent Bank has carried out a securitisation transactions in the amount of USD 300 million with ICBC Standard Bank on October 5, 2018, and thus a funding of USD 680 million was provided in scope of the DPR program in 2018.

As of December 31, 2018, the total balance is equivalent of USD 1.492 million and EUR 319 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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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 Turkey’s first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on June 17, 2014 has a nominal value of 500 million Euros, maturity date on June 17, 2019 with fixed rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

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

The context of Global Medium Term Notes (GMTN), The Parent Bank has issued 234 private placements with 19 different banks from 2013 June on .This private placements have issued several currencies as of (US Dollar,Euro,Swiss Frank and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. The Parent Bank has issued 4,896 million US Dollar private placements as of the date of December 31, 2018. The total private placements are 5 million Euros as of the same date on.

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% rate of return.

On October 9, 2017, the Parent Bank had issued a private placement for the qualified foreign institutional investor 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 realized the second Global Medium Term Notes (GMTN) 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 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 Bank issued the second transaction of 2018 abroad with a nominal value of TL 1,000 million and 5 years of maturity. Thus, the Covered Bond issuances reached TL 7.7 billion.

Current Period - December 31, 2018	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
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

Prior Period - December 31, 2017	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Nominal	4,189,913	2,816,000	98,149	12,697,366
Cost	4,016,622	2,816,000	98,149	12,625,204
Net Book Value	4,090,998	2,876,546	98,742	12,804,473

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.

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

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

None.

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

Information on general provisions

	Prior Period - December 31, 2017
Provisions for loans and receivables in Group I	1,527,551
-Additional provision for loans with extended payment plans	67,249
Provisions for loans and receivables in Group II	181,119
-Additional provision for loans with extended payment plans	32,611
Provisions for non-cash loans	137,421
Other	39,402
Total	1,885,493

Information on employee rights

According to the TAS-19- Judgments of benefits that are provided to employees, bank accounts and calculate provision to obligations of severance pay and allowance rights.

As of December 31, 2018, TL 458,222 (December 31, 2017: TL 413,371) provision for severance pay and TL 151,143 (December 31, 2017: TL 107,986) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period - December 31, 2018
Opening balance	413,371
Current service cost	39,450
Previous service cost	(7,414)
Interest cost	47,063
Paid compensation	(53,882)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	6,026
Actuary loss/(gain)	13,278
Net foreign exchange differences from foreign subsidiaries	546
Other Changes (*)	(216)
Closing balance	458,222

(*) Vakıf Portföy Yönetimi AŞ, a subsidiary of the Bank, has been classified as financial assets held for sale in the current year, provision for severance pay is deducted from the line.

	Prior Period - December 31, 2017
Opening balance	395,650
Current service cost	39,480
Previous service cost	8,866
Interest cost	40,470
Paid compensation	(42,544)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	(569)
Actuary loss/(gain)	(28,363)
Net foreign exchange differences from foreign subsidiaries	381
Closing balance	413,371

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

Information on pension rights

The Fund’s technical financial statements are inspected by an actuary who is registered to the actuaries registry, in accordance with the Insurance Law no. 5684, article 21, and the “Actuaries Regulations” published referring to the mentioned article. According to the actuary report dated January 2019, there are no technical or actual deficits that requires making any provision.

Transferable retirement and health liabilities	Current Dönem – December 31, 2018
Net Present Value of Transferable Retirement Liabilities	(6,942,347)
Net Present Value of Transferable Retirement and Health Contributions	5,148,673
General Administration Expenses	(69,423)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,863,097)
Fair Value of Plan Assets (2)	5,029,717
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,166,620

Transferable retirement and health liabilities	Previous Period – December 31, 2017
Net Present Value of Transferable Retirement Liabilities	(5,495,589)
Net Present Value of Transferable Retirement and Health Contributions	4,317,510
General Administration Expenses	(99,503)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,277,583)
Fair Value of Plan Assets (2)	5,360,551
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,082,968

Actuarial assumptions used in valuation of Non Transferable Benefits based on TAS 19 are as follows:

Discount Rates	Current Period - December 31, 2018
Benefits Transferable to SSI	%9.80
Non Transferable Benefits	%2.50

Discount Rates	Previous Period - December 31, 2017
Benefits Transferable to SSI	%9.80
Non Transferable Benefits	%2.50

Distribution of total assets of the Retirement Fund as of December 31, 2018 and December 31, 2017 is presented below:

	Current Period - December 31, 2018
Bank placements	2,453,589
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	659,361
Tangible assets(*)	1,723,955
Other	192,812
Total	5,029,717

	Previous Period - December 31, 2017
Bank placements	2,290,956
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	362,512
Tangible assets(*)	2,517,925
Other	189,158
Total	5,360,551

(*) The Tangible assets value indicates all the stocks’ and real estate properties’ market values, as of December, 31, 2017.

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

Provision for currency exchange loss on foreign currency indexed loans

	Current Period - December 31, 2018
Provision for currency exchange loss on foreign currency indexed loans	32

	Prior Period - December 31, 2017
Provision for currency exchange loss on foreign currency indexed loans	10,253

The Group has recorded provision amounting to TL 32 (December 31, 2017: TL 10,253) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

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

As of December 31, 2018, the Parent Bank has recorded TL 26,739 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of December 31, 2018, free provision amounting to TL 1,030,000 of which TL 530,000 was recognized as expense in the current period and TL 500,000 had been recognized as expense in prior period, which is not in accordance with the reporting standards, provided by the Bank management in line with the conservatism principle considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions. (31 December 2017: TL 500,000)

Information on insurance technical provisions

	Current Period - December 31, 2018
Unearned Premium Reserves	1,180,901
Outstanding Claims Reserves	1,919,637
Life Mathematical Reserves	302,494
Other	44,030
Total	3,447,062

	Prior Period - December 31, 2017
Unearned Premium Reserves	961,880
Outstanding Claims Reserves	1,353,675
Life Mathematical Reserves	304,770
Other	25,193
Total	2,645,518

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

8. Taxation

Current Taxes

As at and for the year ended December 31, 2018, the tax liability of the Group is amounting to TL 317,754 (December 31, 2017: TL 323,837).

Information on taxes payable

	Current Period - December 31, 2018
Corporate taxes payable	317,754
Taxation on securities	237,984
Capital gains tax on property	3,258
Taxes on foreign exchange transactions	-
Banking and Insurance Transaction Tax (BITT)	207,040
Value added tax payable	6,834
Other	75,332
Total	848,202

	Prior Period - December 31, 2017
Corporate taxes payable	323,837
Taxation on securities	160,257
Capital gains tax on property	3,493
Taxes on foreign exchange transactions	-
Banking and Insurance Transaction Tax (BITT)	124,488
Value added tax payable	6,100
Other	59,620
Total	677,795

Information on premiums payable

	Current Period - December 31, 2018
Social security premiums- employee share	1,442
Social security premiums- employer share	3,938
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	25
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	1
Unemployment insurance- employee share	1,106
Unemployment insurance- employer share	2,436
Other	14
Total	8,962

	Prior Period - December 31, 2017
Social security premiums- employee share	1,407
Social security premiums- employer share	4,488
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	32
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	7
Unemployment insurance- employee share	918
Unemployment insurance- employer share	2,106
Other	50
Total	9,008

Information on deferred tax liabilities

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of December 31, 2018, the Group has liabilities amounting to TL 1,546 related to non-current assets “held for sale” and discontinued operations. (December 31, 2017: 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 Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the 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 228 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 (secondary 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.

Stated bonds' total balance sheet value is TL 13,022,023 as of December 31, 2018 (December 31, 2017: TL 5,917,137).

Current Period - 31 Aralık 2018	TL	FC
Debt instruments to be included in the additional capital calculation	5,138,704	-
Subordinated Loans	-	-
Subordinated Debt Instruments	5,138,704	-
Debt instruments to be included in the additional capital calculation	529,417	7,353,902
Subordinated Loans	-	-
Subordinated Debt Instruments	529,417	7,353,902
Total	5,668,121	7,353,902

11. Information on shareholders' equity

Paid-in capital

	Current Period - December 31, 2018
Common stock	2,500,000
Preferred stock	-
	Prior Period - December 31, 2017
Common stock	2,500,000
Preferred stock	-

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

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).

Members of the Board of Directors, three members of the group (A), one member of the group (B) and two members of the group (C) are selected from among the candidates nominated by the majority of their group, among the candidates proposed by the partners, from among the candidates elected by the General Assembly, one of the candidates proposed by the partners, taking into consideration the preferences of a group of members (D), elected by the General Assembly from among the candidates nominated by the two members.

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

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

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

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

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

Information on share capital increases from revaluation funds

None.

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

None

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

Current Period - December 31, 2018	TL	FC
Associates, subsidiaries and joint ventures	438,620	-
Financial assets at fair value through other comprehensive income	(126,892)	9,123
Foreign exchange differences	-	-
Total	311,728	9,123

Prior Period - December 31, 2017	TL	FC
Associates, subsidiaries and joint ventures	61,709	-
Fair value differences of available-for-sale securities	(302,087)	177,252
Foreign exchange differences	-	-
Total	(240,378)	177,252

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

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period - December 31, 2018
Commitments for credit card limits	13,549,649
Loan granting commitments	14,105,349
Commitments for cheque payments	1,979,217
Asset purchase sale commitments	3,754,254
Other	3,088,958
Total	36,477,427

	Prior Period - December 31, 2017
Commitments for credit card limits	10,534,862
Loan granting commitments	11,918,133
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	3,609,820
Total	30,360,725

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 26,739 (December 31, 2017: TL 75,942) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items amounting to TL 258,210 (December 31, 2017: TL 169,355).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period - December 31, 2018
Final letters of guarantee	18,753,120
Letters of guarantee for advances	6,838,656
Letters of guarantee given to custom offices	1,314,771
Provisional letters of guarantee	1,913,828
Other letters of guarantee	23,132,521
Total	51,952,896

	Prior Period - December 31, 2017
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,179,490
Total	40,170,988

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

2. Non-cash loans

	Current Period - December 31, 2018
Non-cash loans given for cash loan risks	10,058,836
<i>With original maturity of 1 year or less</i>	3,334,315
<i>With original maturity of more than 1 year</i>	6,724,521
Other non-cash loans	55,970,161
Total	66,028,997

	Prior Period - December 31, 2017
Non-cash loans given for cash loan risks	3,771,138
<i>With original maturity of 1 year or less</i>	1,216,243
<i>With original maturity of more than 1 year</i>	2,554,895
Other non-cash loans	47,552,564
Total	51,323,702

3. Sectoral risk concentrations of non-cash loans

Current Period - December 31, 2018	TL	%	FC	%
Agricultural	32,052	0.08	59,331	0.21
Farming and Cattle	29,692	0.08	59,331	0.21
Forestry	1,698	-	-	-
Fishing	662	-	-	-
Manufacturing	12,489,776	33.19	14,033,362	49.41
Mining	218,076	0.58	126,887	0.45
Production	8,147,262	21.65	13,170,945	46.37
Electric, gas and water	4,124,438	10.96	735,530	2.59
Construction	7,726,291	20.53	5,137,296	18.09
Services	15,650,807	41.60	7,037,312	24.77
Wholesale and retail trade	5,545,235	14.74	4,032,534	14.20
Hotel, food and beverage Services	336,135	0.89	245,307	0.86
Transportation and telecommunication	1,986,293	5.28	1,123,275	3.95
Financial institutions	4,361,969	11.59	94,814	0.33
Real estate and renting Services	1,663,203	4.42	402,537	1.42
Self-employment services	1,455,236	3.87	456,663	1.61
Education services	51,743	0.14	4,085	0.01
Health and social services	250,993	0.67	678,097	2.39
Other	1,727,370	4.60	2,135,400	7.52
Total	37,626,296	100.00	28,402,701	100.00

Prior Period - December 31, 2017	TL	%	FC	%
Agricultural	40,142	0.12	20,449	0.11
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	-	-	-
Manufacturing	12,256,698	37.53	7,292,016	39.06
Mining	281,602	0.86	175,494	0.94
Production	7,930,683	24.29	6,505,402	34.85
Electric, gas and water	4,044,413	12.38	611,120	3.27
Construction	4,855,489	14.87	1,577,187	8.45
Services	13,929,661	42.66	5,399,060	28.92
Wholesale and retail trade	5,412,904	16.58	3,084,829	16.53
Hotel, food and beverage Services	269,673	0.83	18,654	0.10
Transportation and telecommunication	1,530,254	4.69	754,908	4.04
Financial institutions	3,537,700	10.83	437,710	2.34
Real estate and renting Services	1,558,909	4.77	408,524	2.19
Self-employment services	1,439,047	4.41	682,660	3.66
Education services	37,182	0.11	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
Other	1,574,354	4.82	4,378,646	23.46
Total	32,656,344	100.00	18,667,358	100.00

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

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

Current 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	-	-
Total Non-Cash Loans	36,499,915	28,066,742	875,085	329,045

Prior Period - December 31, 2017	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	31,630,753	8,022,283	240,831	110,773
Confirmed bills of exchange and acceptances	44,700	1,510,854	-	-
Letters of credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	225,380	7,528	-	-
Other guarantees and sureties	321,042	46,052	-	-
Total Non-Cash Loans	32,252,036	18,546,184	240,831	115,296

5. Information on derivative transactions

	Current Period - December 31, 2018
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	46,493,564
Currency Forwards	2,744,719
Currency Swaps	41,266,318
Currency Futures	-
Currency Options	2,482,527
Interest Rate Derivative Transactions (II)	46,832,308
Interest Rate Forwards	-
Interest Rate Swaps	46,832,308
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivatives (III)	17,683,118
A. Total Trading Derivatives (I+II+III)	111,008,990
Hedging Derivatives	-
Fair Value Hedges	-
Cash Flow Hedges	-
Hedges for Foreign Currency Investments	-
B. Total Hedging Derivatives	-
Derivative Transactions (A+B)	111,008,990

	Prior Period - December 31, 2017
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	28,048,820
Currency Forwards	2,770,498
Currency Swaps	24,420,686
Currency Futures	-
Currency Options	857,636
Interest Rate Derivative Transactions (II)	16,961,096
Interest Rate Forwards	-
Interest Rate Swaps	16,961,096
Interest Rate Options	-
Securities Call Put Options	-
Interest Rate Futures	-
Other Trading Derivatives (III)	16,340,947
A. Total Trading Derivatives (I+II+III)	61,350,863
Hedging Derivatives	-
Fair Value Hedges	-
Cash Flow Hedges	-
Hedges for Foreign Currency Investments	-
B. Total Hedging Derivatives	-
Derivative Transactions (A+B)	61,350,863

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

Current Period - December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	9,999,599	884,162	2,067,889	241,548	-	13,193,198
Sale	7,084,492	890,248	1,965,785	202,080	-	10,142,605
Currency forwards:						
Purchase	289,468	299,945	761,559	23,151	-	1,374,123
Sale	288,694	298,892	759,874	23,136	-	1,370,596
Cross currency interest rate swaps:						
Purchase	105,600	-	556,431	8,492,044	502,138	9,656,213
Sale	47,002	-	235,455	7,575,851	415,994	8,274,302
Interest rate swaps:						
Purchase	-	-	50,000	9,243,910	14,122,244	23,416,154
Sale	-	-	50,000	9,243,910	14,122,244	23,416,154
Options:						
Purchase	334,764	50,487	830,025	-	-	1,215,276
Sale	348,761	59,812	858,678	-	-	1,267,251
Other trading derivatives:						
Purchase	-	422,400	-	6,324,292	1,774,159	8,520,851
Sale	2,975,026	305,901	-	4,428,802	1,452,538	9,162,267
Total purchases	10,729,431	1,656,994	4,265,904	24,324,945	16,398,541	57,375,815
Total sales	10,743,975	1,554,853	3,869,792	21,473,779	15,990,776	53,633,175
Total	21,473,406	3,211,847	8,135,696	45,798,724	32,389,317	111,008,990
Prior Period - December 31, 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	3,321,304	3,044,756	908,460	271,380	-	7,545,900
Sale	718,359	795,056	899,832	287,826	-	2,701,073
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	4,249,064	3,514,491	2,562,899	13,990,524	7,587,873	31,904,851
Total sales	4,153,925	3,493,393	2,466,564	12,718,703	6,613,427	29,446,012
Total	8,402,989	7,007,884	5,029,463	26,709,227	14,201,300	61,350,863

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

6. Contingent assets and liabilities

Group allocates TL 13,417 as provision for lawsuits against the Group (December 31, 2017: TL 5,871).

7. Services rendered on behalf of third parties

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

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

1. Interest income

Information on interest income received from loans

Current Period - December 31, 2018	TL	FC
Short-term loans	8,560,973	436,461
Medium and long-term loans	14,395,759	4,162,635
Non-performing loans	346,695	-
Premiums received from resource utilization support fund	-	-
Total	23,303,427	4,599,096

Prior Period - December 31, 2017	TL	FC
Short-term loans	4,818,618	214,105
Medium and long-term loans	10,638,423	2,507,378
Non-performing loans	137,052	-
Premiums received from resource utilization support fund	-	-
Total	15,594,093	2,721,483

Information on interest income received from banks

Current Period - December 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	1,004
Domestic Banks	156,626	25,470
Foreign Banks	1,752	145,000
Foreign Head Office and Branches	-	-
Total	158,378	171,474

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	6
Domestic Banks	164,088	5,711
Foreign Banks	651	40,240
Foreign Head Office and Branches	-	-
Total	164,739	45,957

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

Information on interest income received from marketable securities portfolio

Current Period - December 31, 2018	TL	FC
Financial assets at fair value through profit or loss	14,656	487
Financial assets at fair value through other comprehensive income	976,761	74,246
Financial assets measured at amortised cost	4,648,680	375,482
Total	5,640,097	450,215

Prior Period - December 31, 2017	TL	FC
Financial assets held for trading	18,182	869
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	1,481,282	253,931
Investments held to maturity	1,111,569	48,705
Total	2,611,033	303,505

Information on interest income received from associates and subsidiaries

	Current Period - December 31, 2018
Interest Received from Associates and Subsidiaries	-

	Prior Period - December 31, 2017
Interest Received from Associates and Subsidiaries	-

2. Interest Expense

Interest expense on funds borrowed

Current Period - December 31, 2018	TL	FC
Banks	364,160	1,157,355
Central Bank of the Republic of Turkey	-	1,084
Domestic Banks	259,028	77,846
Foreign Banks	105,132	1,078,425
Foreign Head Offices and Branches	-	-
Other Institutions	-	78,259
Total	364,160	1,235,614

Prior Period - December 31, 2017	TL	FC
Banks	192,335	594,784
Central Bank of the Republic of Turkey	-	99
Domestic Banks	114,994	25,392
Foreign Banks	77,341	569,293
Foreign Head Offices and Branches	-	-
Other Institutions	-	53,953
Total	192,335	648,737

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

Interest expense paid to associates and subsidiaries

	Current Period - December 31, 2018
Interests paid to the associates and subsidiaries	218,774

	Prior Period - December 31, 2017
Interests paid to the associates and subsidiaries	132,348

Interest expense on securities issued

As at and for the year ended at December 31, 2018, interest paid to securities issued is TL 2,094,967 (December 31, 2017: TL 1,059,739).

Maturity structure of the interest expense on deposits

	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			
Current Period - December 31, 2018									
<i>TL</i>									
Interbank deposits	-	95,442	281,671	4,132	11,837	8,636	-	401,718	
Saving deposits	-	843,986	6,018,483	411,605	70,679	39,013	295	7,384,061	
Public sector deposits	15,574	541,525	907,095	138,568	538,800	20,918	-	2,162,480	
Commercial deposits	43	726,432	1,869,346	248,098	85,321	2,642	-	2,931,882	
Other deposits	-	82,449	574,635	143,725	41,503	13,069	-	855,381	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total	15,617	2,289,834	9,651,230	946,128	748,140	84,278	295	13,735,522	
<i>FC</i>									
Foreign Currency deposits	26,390	68,707	1,232,494	82,081	45,467	190,329	-	1,645,468	
Interbank deposits	8,322	565	118,430	27,172	1,939	-	-	156,428	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	34,712	69,272	1,350,924	109,253	47,406	190,329	-	1,801,896	
Grand Total	50,329	2,359,106	11,002,154	1,055,381	795,546	274,607	295	15,537,418	

	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			
Prior Period - December 31, 2017									
<i>TL</i>									
Interbank deposits	-	4,583	181,129	3,707	-	-	-	189,419	
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118	
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565	
Commercial deposits	87	509,951	1,211,479	247,147	22,461	793	-	1,991,918	
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total	9,698	1,240,015	5,803,223	743,320	438,259	39,402	119	8,274,036	
<i>FC</i>									
Foreign currency deposits	21,775	25,633	641,645	47,405	29,271	112,830	-	878,559	
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	24,587	31,679	661,077	47,869	34,584	126,788	-	926,584	
Grand Total	34,285	1,271,694	6,464,300	791,189	472,843	166,190	119	9,200,620	

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

3. Dividend Income

	Current Period - December 31, 2018
Financial assets at fair value through profit or loss	419
Financial assets at fair value through other comprehensive income	-
Investments in Associates	49,592
Total	50,011
	Prior Period - December 31, 2017
Trading Purpose Financial Assets	80
Financial Assets at Fair Value through Profit or Loss	-
Available-for-Sale Financial Assets	234
Investments in Associates	47,167
Total	47,481

4. Information on trading income/losses

	Current Period - December 31, 2018
Income	31,381,691
Income from capital market operations	5,110,076
Income from derivative financial instruments	11,208,820
Foreign exchange gains	15,062,795
Losses	(30,558,861)
Loss from capital market operations	(4,951,953)
Loss from derivative financial instruments	(10,937,763)
Foreign exchange loss	(14,669,145)
Net trading profit/loss	822,830
	Prior Period - December 31, 2017
Income	14,405,506
Income from capital market operations	5,126,139
Income from derivative financial instruments	3,763,265
Foreign exchange gains	5,516,102
Losses	(14,211,059)
Loss from capital market operations	(5,077,693)
Loss from derivative financial instruments	(3,778,946)
Foreign exchange loss	(5,354,420)
Net trading profit/loss	194,447

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 94,499 as at and for the year ended December 31, 2018 (December 31, 2017: net loss of TL 110,499).

5. Information on other operating income

	Current Period - December 31, 2018
Income from reversal of the specific provisions for loans from prior periods	938,450
Earned insurance premiums (net of reinsurance share)	801,200
Communication income	1,346,870
Gain on sale of assets	36,269
Income from private pension business	210,465
Rent income	165,143
Other income	192,039
	255,007
Total	3,945,443

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

	Prior Period - December 31, 2017
Income from reversal of the specific provisions for loans from prior periods	937,669
Earned insurance premiums (net of reinsurance share)	1,207,630
Communication income	43,602
Gain on sale of assets	149,607
Income from private pension business	102,575
Rent income	770
Other income	643,392
Total	3,085,245

6. Expected Credit Loss

	Current Period - December 31, 2018
Expected Credit Loss	4,508,666
12 month expected credit loss (stage 1)	439,365
Significant increase in credit risk (stage 2)	995,402
Non-performing loans (stage 3)	3,073,899
Marketable Securities Impairment Expense	4,603
Financial Assets at Fair Value through Profit or Loss	1,566
Financial Assets at Fair Value Through Other Comprehensive Income	3,037
Investments in Associates, Subsidiaries and Held-to-maturity Securities	
Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	530,000
Total	5,043,269

(*) As of December 31, 2018, the Bank has provided a free provision amounting to TL 530,000 in 2018, in addition to TL 500,000 free provision, which was allocated in 2018 within the framework of the precautionary principle.

Provision expenses for losses on loans and other receivables

	Prior Period - December 31, 2017
Specific provisions on loans and other receivables	2,214,490
<i>Loans and receivables in Group III</i>	495,617
<i>Loans and receivables in Group IV</i>	595,073
<i>Loans and receivables in Group V</i>	1,123,800
Non-performing commissions and other receivables	-
General provision expenses	208
Provision for possible losses	500,000
Impairment losses on securities:	550
<i>Trading securities</i>	126
<i>Investment securities available-for-sale</i>	424
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	29,147
<i>Associates</i>	-
<i>Subsidiaries</i>	2,525
<i>Joint ventures</i>	-
<i>Investment securities held-to-maturity</i>	26,622
Other(*)	98,163
Total	2,842,558

(*) Other Provision expenses amounting to 98,163 TL is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to 48,866 TL, provision expenses related to retail loans amounting to 14,793 TL and provision for other expenses amounting to 34,504 TL.

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

7. Information on other operating expenses

	Current Period – December 31, 2018
Personnel Costs	2,452,360
Reserve for Employee Termination Benefits	25,881
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	13,006
Depreciation Expenses on Tangible Assets	176,923
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	32,632
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	13,632
Other Operating Expenses	3,140,934
<i>Operational lease expenses</i>	309,686
<i>Repair and maintenance expenses</i>	63,461
<i>Advertisement expenses</i>	182,176
<i>Other expenses</i>	2,585,611
Loss on sale of assets	4,647
Other ^(*)	1,860,357
Total	7,720,372

^(*) Other operating expenses amounting to TL 1,860,357 is comprised of provision expenses for dividends to the personnel amounting to TL 276,496 tax, fees and funds expenses amounting to TL 369,491 ,Saving Deposits Insurance Fund expenses amounting to TL 197,864 Compensation pensions amounting to TL 13,107 cumulative/noncumulative commission expenses amounting to TL 96,101, production commission expenses to TL 240,480 and other expenses amounting to TL 666,818.

	Prior Period - December 31, 2017
Personnel costs	1,979,798
Reserve for employee termination benefits	49,531
Provision for deficit in pension funds	-
Impairment losses on tangible assets	-
Depreciation expenses on tangible assets	150,160
Impairment losses on intangible assets	-
Amortization expenses on intangible assets	30,270
Impairment losses on assets to be disposed	-
Depreciation expenses on assets to be disposed	-
Impairment losses on assets held for sale	-
Other operating expenses	2,413,794
<i>Operational lease related expenses</i>	258,477
<i>Repair and maintenance expenses</i>	68,416
<i>Advertisement expenses</i>	129,056
<i>Other expenses</i>	1,957,845
Loss on sale of assets	2,302
Other ^(*)	1,108,292
Total	5,734,147

^(*) Other operating expenses amounting to TL 1,108,292 is comprised of provision expenses for dividends to the personnel amounting to TL 168,500, tax, fees and funds expenses amounting to TL 163,010, Saving Deposits Insurance Fund expenses amounting to TL 168,783, Compensation pensions amounting to TL 9,807, cumulative/noncumulative commission expenses amounting to TL 91,727, production commission expenses to TL 251,574 and other expenses amounting to TL 254,891

8. 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.

9. Information on tax provision from discontinued and continuing operations

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

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

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

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

11. 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 840,854 (December 31, 2017: TL 831,655) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

The details of the deferred tax expense of the Group are shown in the table below.

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

Sources of deferred tax benefit/charge	Current Period - December 31, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	152,659
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(397,100)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	(244,441)

Sources of deferred tax benefit/charge	Prior Period - December 31, 2017
Arising from Origination / (Reversal) of Deductible Temporary Differences	(48,316)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	(160,372)

The table of the tax provision reconciliation for the years December 31, 2018 and December 31, 2017 is as below.

	Current Period - December 31, 2018
Profit before tax	5,689,773
Tax calculated with legal tax rate (*)	978,161
Non-deductible expenses, discounts and other, net	107,134
Total	1,085,295

	Prior Period - December 31, 2017
Profit before tax	4,957,892
Tax calculated with legal tax rate	804,637
Non-deductible expenses, discounts, additions and others (net)	187,390
Tax Provision Expense on Continuing Operations	992,027

(*) Different tax rates are used in the subsidiaries of the parent bank operating abroad, there are corporate tax exemptions on earnings of some subsidiaries operating in Turkey.

12. Information on net profit and loss

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

Group has incurred TL 34,957,243 interest income and TL 23,529,737 interest expense, also incurred TL 2,151,048 amount of net fee and commission income from its ordinary banking operations (December 31, 2017: TL 22,045,179 interest income, TL 13,073,305 interest expense, TL 1,235,550 net fee and commission income).

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

None.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Income/loss related to non-controlling interest

	Current Period - December 31, 2018
Income/(losses) related to non-controlling interest	60,200
	Prior Period - December 31, 2017
Income/(losses) related to non-controlling interest	84,914

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

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

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

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

1. Information on increases that occur after revaluation of available-for-sale investments

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

Valuation Differences of Marketable Securities	Current Period - December 31, 2018
Valuation differences at the beginning of the year	(124,835)
Fair value changes in the current year	(8,909)
Valuation differences transferred to the statement of income	24,663
Effect of deferred and corporate taxes	(8,688)
Valuation differences at the end of the year	(117,769)

Valuation Differences of Marketable Securities	Prior Period - December 31, 2017
Valuation differences at the beginning of the year	(195,457)
Fair value changes in the current year	120,429
Valuation differences transferred to the statement of income	(34,098)
Effect of deferred and corporate taxes	(15,709)
Valuation differences at the end of the year	(124,835)

Valuation Difference of the Subsidiaries and Affiliates	Current Period - December 31, 2018
Valuation differences at the beginning of the year	61,709
Fair value changes in the current year	375,830
Valuation differences transferred to the statement of income	-
Effect of deferred and corporate taxes	(21,686)
Valuation differences at the end of the year	415,853

Valuation Difference of the Subsidiaries and Affiliates	Prior Period - December 31, 2017
Valuation differences at the beginning of the year	64,288
Fair value changes in the current year	(2,813)
Valuation differences transferred to the statement of income	-
Effect of deferred and corporate taxes	234
Valuation differences at the end of the year	61,709

2. Information on increases in cash flow hedges

None.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

None.

4. Information on correction differences of shareholders’ equity accounts due to inflation

In compliance with BRSA’s Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for “capital reserves from inflation adjustments”. The balance of “capital reserves from inflation adjustments” account is transferred to “other capital reserves” account. In 2006, the Bank has increased its paid in capital through “other capital reserves” by TL 605,763.

5. Information on profit distribution

As per the resolution of 64 Annual General Assembly held on 13 August 2018, the net profit of the year 2017 which amounts to TL 3,723,383 is decided to be distributed as legal reserves amounting to TL 372,338, extraordinary reserves amounting to TL 3,196,380, special funds amounting to TL 29,665 and dividends to equity holders of the Parent Bank amounting to TL 125,000.

6. Information on decreases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 1.

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

1. Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

“Other” item under the “operating profit before changes in operating assets and liabilities” amounting to TL (4,172,145) (December 31, 2017: TL (2,718,309)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

“Net increase/decrease in other liabilities” amounting to TL 7,737,050 (December 31, 2017: TL 11,074,733) under “changes in operating assets and liabilities” is mainly comprised of fund based cash outflows from repurchase agreements.

“Other” balance under “net cash flow from investing activities” amounting to TL (8,333) (December 31, 2017: TL (59,102)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets’ high turnover rate are taken into consideration. Each exchange rate’s arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period’s exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation’s per term exchange rate and current period’s exchange rate. As of December 31, 2018 impact of the exchange rate change on cash and cash equivalents is TL 256,824 (December 31, 2017: TL (137,492)).

2. Cash flows from acquisition of associates, subsidiaries and joint-ventures

There is not any cash flow that is related with Bank’s subsidiaries in the current and previous periods.

3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

The Parent Bank does not have any associates and subsidiaries that are disposed of in the current period.

The Parent Bank had realised the sale of its shares in Güneş Sigorta A.Ş., which amounts to TL 232, corresponding to its 500,000 number of shares in the previous period.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS (Continued)

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Prior Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	1,990,874	1,789,993
Cash in TL	1,406,685	1,285,044
Cash in foreign currency	584,189	504,949
Cash equivalents	19,771,933	10,631,411
CBRT	26,277,100	22,325,509
Banks	13,323,799	5,275,489
Receivables from money markets	1,659,062	5,232
Other	388,272	253,813
Loans and advances to banks having maturity of more than 3 months	(639,854)	(97,573)
Restricted cash and cash equivalents	(21,221,265)	(17,124,659)
Unrealized foreign exchange rate differences on cash equivalents	(15,181)	(6,400)
Total	21,762,807	12,421,404

Information on cash and cash equivalents at the end of the year

	Current Period December 31, 2018	Current Period December 31, 2017
Cash on hand	2,345,929	1,990,874
Cash in TL	1,462,095	1,406,685
Cash in foreign currency	883,834	584,189
Cash equivalents	18,216,213	19,771,933
CBRT	29,144,389	26,277,100
Banks	6,704,108	13,323,799
Receivables from money markets	6,839	1,659,062
Other	1,001,139	388,272
Loans and advances to banks having maturity of more than 3 months	(1,426,893)	(639,854)
Restricted cash and cash equivalents	(17,182,290)	(21,221,265)
Unrealized foreign exchange rate differences on cash equivalents	(31,079)	(15,181)
Total	20,562,142	21,762,807

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBRT amounting to TL 16,597,789 as at December 31, 2018 (December 31, 2017: TL 20,881,397) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 584,501 (December 31, 2017: TL 339,868) is blocked due to securitization loans and other ordinary operations of the Group.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period - December 31, 2018	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	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	-	1,351	-	-	22,076	40

Prior Period - December 31, 2017	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	-	912	-	38	-	78

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

Current Period - December 31, 2018	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
Deposits						
Balance at the beginning of the year		884,201		1,100,243		241,646
Balance at the end of the year		538,053		1,079,621		623,318
Interest on deposits		218,774		112,544		23,936

Prior Period - December 31, 2017	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
Deposits						
Balance at the beginning of the year		661,402		977,319		164,132
Balance at the end of the year		884,201		1,100,243		241,646
Interest on deposits		132,348		106,934		486

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

None.

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DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

The branches of The Parent Bank are agencies of Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat 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 0.085 (December 31, 2017: 0.010) and 0.544 (December 31, 2017: 2.462) respectively.

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

Prior Period - December 31, 2017	Amount	Compared with the Financial Statement Amount %
Cash Loans	18,128	0.010
Non-Cash Loans	1,263,670	2.462
Deposits	2,226,090	1.409
Forward and Option Agreements	-	-

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

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees		Total Assets	Capital
Domestic Branches^(*)	948	16,721			
Foreign Representative Offices	-	-			
			Country		
Foreign Branches	1	25	USA	4,331,529	87,120
	1	16	Iraq	609,742	264,000
Off-shore Branches	1	5	Bahrain	23,271,613	-

(*) Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2018, 38 new domestic branches (2017: 7 domestic branches) have been opened and 14 have been closed (2017: 4).

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SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

As per the resolution of 64th Annual General Assembly held on August 13, 2018, the net profit of year 2017 has been decided to be distributed as follows:

Profit Distribution Table of Year 2017	
Bank’s unconsolidated profit in its statutory financial statements	3,723,383
Deferred tax credits	-
Net profit of the year subject to distribution	3,723,383
Legal reserves	372,338
<i>First Legal Reserves</i>	186,169
<i>Reserves allocated according to banking law and articles of association.</i>	186,169
Net profit of the year subject to distribution	3,351,045
Gain on sale of immovable and shares of associates and subsidiaries	29,665
Extraordinary reserves	3,196,380
Dividends to shareholders	125,000

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

October 2018	Fitch Ratings
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+ (Negative)
Viability Note	b+
September 2018	Moody’s Investors’ Service
Baseline Credit Assessment	b3
Local Currency Deposit Rating	B1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative
October 2018	Standard&Poors
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/-/trA-1
August 2018	JCR Eurasia
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Negative)
Short Term NSR	A-1 + (Negative)
Support	1
Independancy from Shareholders	A

(*) Dates represent last report dates.

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OTHER DISCLOSURES AND FOOTNOTES (Continued)

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

As per decision No. 92065 of The Parent Bank's Board of Directors dated December 13, 2018, the bank transferred all its shares with 100% ownership in Vakıf Portföy Yönetimi AŞ to Ziraat Portföy Yönetimi AŞ as of January 2, 2019.

The Parent Bank carried out book-building regarding the issuing of a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 373,858,761 and an ISIN code of TRFVKFB41945 to be sold to qualified investors following the approval of the TL 20,000,000,000 debt instruments issue cap application. The amount was transferred to customer accounts on January 11, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 789,640,321 and an ISIN code of TRFVKFB41952 to be sold to qualified investors following the approval of the TL 20,000,000,000 debt instruments issue cap application. The amount was transferred to customer accounts on January 18, 2019.

The Parent Bank carried out an Covered Bond transaction issued on January 22, 2019, with a nominal value of TL 396,300,000, a term of 8 years ending on January 22, 2027 and an ISIN code of XS1938440069. At the same time, the total amount of foreign resources reached TL 550,000,000 with the inclusion of swap transactions carried out under treasury transactions.

The Parent Bank issued and offered to the public a Vakıfbank financing bill totalling TL 100,000,000 (full TL) nominal value with a term of 210 days, starting January 23, 2019 and ending August 23, 2019, on 21-22-23 January 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB81917 was determined to have TL 9,327,768 (full TL) nominal value, 210 days term, term ending August 23, 2019, with an annual compound interest rate of 21.4606%, simple interest rate of 20.5711% and an issue price of TL 89,417.

The Parent Bank issued and offered to the public a Vakıfbank financing bill totalling TL 300,000,000 (full TL) nominal value with a term of 147 days, starting January 23, 2019 and ending June 21, 2019, on 21-22-23 January 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB61927 was determined to have TL 323,414,446 (full TL) nominal value, 147 days term, term ending June 21, 2019, with an annual compound interest rate of 21.8393%, simple interest rate of 20.5603% and an issue price of TL 92,353.

During The Parent Bank's Board of Directors meeting on January 24, 2019, The Parent Bank decided to decrease the number of Executive Vice Presidents from 14 to 12. Following this, Executive Vice Presidents Osman DEMREN and Mustafa SAYDAM have resigned from their positions.

Following the approval of the structured debt instruments issue cap application with a nominal value of TL 3,000,000,000, The Parent Bank issued a Vakıfbank structured debt instrument with a term of 35 days, a nominal value of TL 100,000,000 and an ISIN code of TROVKFB00ZG6 to qualified investors as of January 25, 2019.

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SECTION SEVEN

INDEPENDENT AUDITORS’ AUDIT REPORT

I. INFORMATION ON INDEPENDENT AUDITORS’ REPORT

The Parent Bank unconsolidated financial statements and footnotes as at and for year ended December 31, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 26, 2019 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank’s financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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