

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT SEPTEMBER 30, 2020
TOGETHER WITH AUDITOR'S REVIEW REPORT**

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



AUDITOR'S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası T.A.O. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 September 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Group management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim consolidated financial information based on our review.

Scope of Review

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

Basis for the Qualified Conclusion

As explained in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 30 September 2020 include a free provision amounting to TL 852,000 thousand provided in prior years by the Group management which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation.



Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the consolidated financial position of Türkiye Vakıflar Bankası T.A.O. and its consolidated subsidiaries at 30 September 2020 and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation

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

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

Halûk Yalçın, SMMM
Partner

Istanbul, 9 November 2020

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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The consolidated financial report as at and for the nine-month period ended September 30, 2020 prepared in accordance with the "Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

SUBSIDIARIES	ASSOCIATES	JOINT-VENTURES
Vakıf Faktoring AŞ	Kıbrıs Vakıflar Bankası Ltd.	-
Vakıf Finansal Kiralama AŞ	Türkiye Sınai Kalkınma Bankası AŞ	-
Vakıf Yatırım Menkul Değerler AŞ	-	-
VakıfBank International AG	-	-
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	-	-
Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	-	-

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

November 9, 2020

Abdülkadir AKSU
Chairman of The Board

Serdar TUNÇBİLEK
Board and Audit
Committee Member

DİLEK YÜKSEL
Board and Audit
Committee Member

Abdi Serdar ÜSTÜNSALİH
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Korhan TURGUT
Director of Accounting and
Financial Affairs

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

SECTION ONE

GENERAL INFORMATION

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

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

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

The shareholder having control over the shares of The Parent Bank is the Republic of Turkey Ministry of Treasury and Finance.

As at September 30, 2020, the Parent Bank’s paid-in capital is TL 3,905,622 (December 31, 2019: TL 2,500,000) divided into 390,562,248,996 shares with each has a nominal value of Kr 1.(December 31, 2019: TL 250,000,000,000)

The Parent Bank’s shareholders structure as at September 30, 2020 and December 31, 2019 is stated below:

Shareholders September 30, 2020	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Turkey Wealth Fund (Group D)	1,405,622,490	1,405,622	35.99
Republic of Turkey Ministry of Treasury and Finance (Group A)	1,075,058,640	1,075,058	27.52
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	10.31
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673,328	387,673	9.93
Other appendant foundations (Group B)	2,591,250	2,591	0.07
Other real persons and legal entities (Group C)	1,527,393	1,528	0.04
Publicly traded (Group D)	630,596,723	630,597	16.14
Total	3,905,622,490	3,905,622	100.00

Shareholders December 31, 2019	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Republic of Turkey Ministry of Treasury and Finance(Group A)	1,075,058,640	1,075,058	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	16.10
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673,328	387,673	15.51
Other appendant foundations (Group B)	2,652,715	2,653	0.11
Other real persons and legal entities (Group C)	1,527,393	1,528	0.06
Publicly traded (Group D)	630,535,258	630,535	25.22
Total	2,500,000,000	2,500,000	100.00

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

GENERAL INFORMATION (Continued)

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

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

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

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

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

With the decision of the Parent Bank's Board of Directors dated May 11, 2020, it has been decided to increase the paid-in capital of TL 2,500,000 provided that it remains within the registered capital ceiling, by completely restricting the pre-emptive rights of the current shareholders and by increasing cash capital increase, which will generate a total sales revenue of TL 7,000,000 in total. Within the framework of the relevant legislation of the Capital Markets Board, the Banking Regulation and Supervision Agency and the Procedure for Borsa İstanbul's Wholesale Purchase and Sales Transactions, all of the shares to be issued due to the capital increase, are set to be transferred to Turkey Wealth Fund, without public offering and by dedicated sales method.

The disclosure published by the Parent Bank on May 15, 2020, it was announced that the sales price of the shares to be issued was determined as TL 4.98 for a share with a nominal value of TL 1, and that the paid-in capital will be increased from TL 2,500,000 to TL 3,905,622 as a result of the capital increase.

The disclosure published by the Parent Bank on May 20, 2020, it has been announced that the shares with a nominal value of TL 1,405,622 issued by the Parent Bank are sold with a dedicated sales method for a share with a nominal value of TL 1, with a total sales revenue of TL 7,000,000 over the price of TL 4.98. As of the same date, the shares were sold to Turkey Wealth Fund through the wholesale transaction method in stock market and the capital increase transactions have been completed.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
Board of Directors				
Abdülkadir AKSU	Chairman	May 27, 2019	Bachelor’s	1 years
Dr.Cemil Ragıp ERTEM	Member – Deputy Chairman	June 12, 2020	PhD	22 years
Abdi Serdar ÜSTÜNSALİH	Member- General Manager	May 27, 2019	Master’s	29 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	32 years
Dilek YÜKSEL	Member	March 29, 2016	Bachelor’s	10 years
Şahin UĞUR	Member	June 9 2017	Bachelor’s	34 years
Serdar TUNÇBİLEK	Member	June 9 2017	Bachelor’s	34 years
Sadık YAKUT	Member	May 27, 2019	Bachelor’s	1 years
Hamza YERLİKAYA	Member	June 12, 2020	Master’s	-
Audit Committee				
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	34 years
Dilek YÜKSEL	Member	June 12, 2020	Bachelor’s	10 years
Auditor				
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	36 years
Mehmet Emin BAYSA	Auditor	June 12, 2020	Master’s	1 years
Assistant General Managers				
Metin Recep ZAFER	R&D and Business Intelligence Application Development, Basic Banking Application Development, Channel Management and Payment Systems App. Development, System Management, IT System and Application Support, IT Planning and Coordination, Treasury Operations, Foreign Operations, Banking Operations, Credit, Customer and Account Operations	June 13, 2006	PhD	25 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	Bachelor’s	25 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	24 years
Mikail HİDIR	Credit Risk Planning and Monitoring Evaluation and Rating, Credit Risk Liquidation, Legal Affairs	December 26, 2018	Bachelor’s	17 years
Hazım AKYOL	Corporate Banking Marketing, Commercial Banking Marketing, Corporate Branches, Cash Management, Product Development and Foreign Trade Marketing	May 31, 2019	Bachelor’s	27 years
Alaattin ŞİMŞEK	Corporate Loans Allocation and Management SME and Retail Loans Allocation, Commercial Loans Allocation, Application of Credit Policies and Processes 1-2, Specific Loans Management	May 31, 2019	Bachelor’s	25 years
Ferkan MERDAN	Payment Systems, Digital Banking and Distribution Channels, Corporate Communication	May 31, 2019	Master’s	23 years
Muhammed Onay ÖZKAN	Treasury Management., International Banking and Investor Relations Treasury Middle Office	May 31, 2019	Bachelor’s	19 years
Arif ÇOKÇETİN	Corporate Loans Allocation Management, Retail and SME Loans Allocation Management, Commercial Loans Allocation Management 1-2, Featured Loans Management	July 8, 2020	Bachelor’s	25 years
Kadir KARATAŞ	Human Resources, Corporate Development and Academy	August 13, 2020	Bachelor’s	23 years

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

GENERAL INFORMATION (Continued)

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

Board of Directors Operations Chairmanship Departments and Support Services are working dependent to the General Manager. Board of Directors membership election of the Parent Bank is renewed every year in the General Meeting.

The decisions taken at the 66th Ordinary General Assembly Meeting of the Parent Bank held on June 12, 2020 regarding the renewal of the Members of the Board of Directors are as follows; It was resolved by majority of votes to appoint Mr. Hamza Yerlikaya as Independent Board Member to replace Mr. Şahap Kavcıoğlu representing Group (A) to serve for 3 years and to appoint Mr. Mehmet Emin Baysa to replace Mr. Yunus Arıncı as members of the Supervisory Board for 3 years.

At the Board of Directors Meeting held on 12 June 2020, in accordance with the Related Articles of our Bank’s Articles of Association:

- Mr. Abdulkadir Aksu was elected as the Chairman of the Board,
- Mr. Cemil Ragıp Ertem was elected as the Deputy Chairman of the Board of Directors,
- Mr. Abdi Serdar Üstünsalih was elected as the General Manager

by unanimous vote.

With the decision of the Parent Bank’s Board of Directors dated July 8, 2020, Arif ÇOKÇETİN was appointed as the Assistant General Manager.

According to the decision of the Parent Bank’s Board of Directors dated August 13, 2020, Deputy General Manager Hüseyin Uğur BİLGİN was retired and Kadir KARATAŞ, Head of Banking Support Services, was appointed as Deputy General Manager.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

GENERAL INFORMATION (Continued)

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

Current Period - September 30, 2020

Shareholders	Nominal Value of Shares	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Turkey Wealth Fund (Group D)	1,405,622	35.99	1,405,622	-
Republic of Turkey Ministry of Treasury and Finance (Group A)	1,075,058	27.52	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	10.31	402,553	-
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673	9.93	387,673	-

Prior Period - December 31, 2019

Shareholders	Nominal Value of Shares	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Republic of Turkey Ministry of Treasury and Finance (Group A)	1,075,058	43.00	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673	15.51	387,673	-

As of September 30, 2020, shareholder holding control over the Parent Bank is the Republic of Turkey Ministry of Treasury and Finance having 37.45% of the Parent Bank’s outstanding shares. Other organizations that are qualified shareholders are Turkey Wealth Fund, with 35.99% share and Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, with 10.31% share.

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

GENERAL INFORMATION (Continued)

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

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 Parent Bank as stated at its Articles of Association are as follows:

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

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

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

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

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

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

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

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

As at September 30, 2020, The Parent Bank has 935 domestic, 3 foreign, in total 938 branches (December 31, 2019: 940 domestic, 3 foreign, in total 943 branches). As at September 30, 2020, The Parent Bank has 16,714 employees (December 31, 2019: 16,835 employees).

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

GENERAL INFORMATION (Continued)

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

As at and for the nine-month period ended September 30, 2020, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the full consolidated financial statements of the Group.

As at and for the nine-month period ended September 30, 2020, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ are excluded from the scope of consolidation according to the Communiqué on Preparation of Consolidated Financial Statements. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonal AŞ, Platform Ortak Kartlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası A.Ş., Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, Birleşik İpotek Finansmanı AŞ, JCR Avrasya Derecelendirme AŞ and Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri San. Tic. 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 Parent Bank. Therefore, the subsidiaries are reflected in the consolidated financial statements at their fair values in accordance with TFRS 9.

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR
THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

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

AS AT SEPTEMBER 30, 2020

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

ASSETS	Notes	Current Period September 30, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		40,439,894	107,324,074	147,763,968	23,839,465	51,504,253	75,343,718
1.1 Cash and cash equivalents	V-I-1	4,876,928	41,792,562	46,669,490	2,399,213	40,329,046	42,728,259
1.1.1 Cash and balances at Central Bank	V-I-1	4,605,790	38,996,805	43,602,595	2,387,874	34,116,718	36,504,592
1.1.2 Banks	V-I-3	38,394	2,795,782	2,834,176	6,120	6,212,378	6,218,498
1.1.3 Receivables from Money Markets		236,244	-	236,244	14,535	-	14,535
1.1.4 Allowance for expected credit losses (-)	V-I-16	3,500	25	3,525	9,316	50	9,366
1.2 Financial assets at fair value through profit or loss	V-I-2	288,559	9,605,113	9,893,672	178,298	2,129,634	2,307,932
1.2.1 Public debt securities		111,340	9,451,672	9,563,012	198	2,017,593	2,017,791
1.2.2 Equity instruments		172,126	153,441	325,567	173,286	112,041	285,327
1.2.3 Other financial assets		5,093	-	5,093	4,814	-	4,814
1.3 Financial assets at fair value through other comprehensive income	V-I-4	26,592,858	54,114,241	80,707,099	17,673,354	8,126,945	25,800,299
1.3.1 Public debt securities		25,984,376	52,238,473	78,222,849	17,089,209	7,011,397	24,100,606
1.3.2 Equity instruments		14,130	5,114	19,244	14,131	3,924	18,055
1.3.3 Other financial assets		594,352	1,870,654	2,465,006	570,014	1,111,624	1,681,638
1.4 Derivative financial assets	V-I-2	8,681,549	1,812,158	10,493,707	3,588,600	918,628	4,507,228
1.4.1 Derivative financial assets at fair value through profit or loss		8,681,549	1,812,158	10,493,707	3,588,600	918,628	4,507,228
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		334,183,222	139,820,600	474,003,822	224,392,334	106,479,466	330,871,800
2.1 Loans	V-I-5	307,903,507	122,572,301	430,475,808	202,068,252	92,213,963	294,282,215
2.2 Receivables from leasing transactions	V-I-10	873,786	2,563,029	3,436,815	696,678	2,077,438	2,774,116
2.3 Factoring receivables		2,179,189	282,298	2,461,487	2,504,062	369,208	2,873,270
2.4 Financial assets measured at amortised cost	V-I-6	43,331,003	14,683,453	58,014,456	35,004,414	12,010,219	47,014,633
2.4.1 Public debt securities		43,272,118	14,489,457	57,761,575	34,945,546	11,700,580	46,646,126
2.4.2 Other financial assets		58,885	193,996	252,881	58,868	309,639	368,507
2.5 Allowance for expected credit losses (-)		20,104,263	280,481	20,384,744	15,881,072	191,362	16,072,434
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	V-I-14	1,300,494	-	1,300,494	7,240,607	456,388	7,696,995
3.1 Held for sale purpose		1,300,494	-	1,300,494	7,240,607	456,388	7,696,995
3.2 Related to discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,577,981	3	1,577,984	1,481,250	3	1,481,253
4.1 Investments in associates (Net)	V-I-7	1,232,725	3	1,232,728	1,138,780	3	1,138,783
4.1.1 Associates accounted by using equity method		494,590	-	494,590	447,762	-	447,762
4.1.2 Unconsolidated associates		738,135	3	738,138	691,018	3	691,021
4.2 Investments in subsidiaries (Net)	V-I-8	345,256	-	345,256	342,470	-	342,470
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		345,256	-	345,256	342,470	-	342,470
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)		4,034,494	14,523	4,049,017	3,029,550	11,417	3,040,967
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		270,877	362	271,239	237,755	304	238,059
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		256,246	362	256,608	223,124	304	223,428
VII. INVESTMENT PROPERTIES (Net)	V-I-12	678,221	-	678,221	608,990	-	608,990
VIII. CURRENT TAX ASSETS		306,677	-	306,677	-	-	-
IX. DEFERRED TAX ASSETS	V-I-13	1,001,112	-	1,001,112	801,616	-	801,616
X. OTHER ASSETS	V-I-15	8,196,629	11,945,776	20,142,405	5,328,857	7,628,874	12,957,731
TOTAL ASSETS		391,989,601	259,105,338	651,094,939	266,960,424	166,080,705	433,041,129

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

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

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

AS AT SEPTEMBER 30, 2020

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

	Notes	Current Period September 30, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	215,941,132	182,562,247	398,503,379	142,276,343	111,854,405	254,130,748
II. BORROWINGS	V-II-3	2,179,653	50,136,311	52,315,964	2,286,766	42,776,918	45,063,684
III. MONEY MARKET FUNDS		53,028,542	13,984,179	67,012,721	19,825,274	5,598,794	25,424,068
IV. MARKETABLE SECURITIES ISSUED (Net)	V-II-3	11,965,200	29,816,377	41,781,577	11,792,577	17,455,479	29,248,056
4.1 Bills		6,526,372	-	6,526,372	6,494,825	-	6,494,825
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		5,438,828	29,816,377	35,255,205	5,297,752	17,455,479	22,753,231
V. FUNDS		3,053	-	3,053	3,053	-	3,053
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,053	-	3,053	3,053	-	3,053
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	V-II-2	3,238,787	2,733,689	5,972,476	2,226,099	1,085,898	3,311,997
7.1 Derivative financial liabilities at fair value through profit or loss		3,238,787	2,733,689	5,972,476	2,226,099	1,085,898	3,311,997
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		865	-	865	1,823	549	2,372
IX. LEASE PAYABLES (Net)	V-II-5	993,904	25	993,929	935,839	99	935,938
X. PROVISIONS	V-II-7	2,450,675	60,826	2,511,501	2,219,860	39,067	2,258,927
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,252,271	5,506	1,257,777	1,153,968	3,997	1,157,965
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		1,198,404	55,320	1,253,724	1,065,892	35,070	1,100,962
XI. CURRENT TAX LIABILITIES	V-II-8	561,104	2,034	563,138	1,138,988	3,003	1,141,991
XII. DEFERRED TAX LIABILITIES	V-II-8	156	41,973	42,129	1,232	30,758	31,990
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-9	-	-	-	5,018,668	353,532	5,372,200
13.1 Held for sale		-	-	-	5,018,668	353,532	5,372,200
13.2 Related to discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	V-II-10	6,248,868	13,320,310	19,569,178	6,394,877	12,850,576	19,245,453
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		6,248,868	13,320,310	19,569,178	6,394,877	12,850,576	19,245,453
XV. OTHER LIABILITIES	V-II-4	13,644,657	2,778,857	16,423,514	9,705,538	3,612,824	13,318,362
XVI. SHAREHOLDERS' EQUITY	V-II-11	44,409,730	991,785	45,401,515	32,573,508	978,782	33,552,290
16.1 Paid-in capital	V-II-11	3,905,622	-	3,905,622	2,500,000	-	2,500,000
16.2 Capital reserves		6,260,893	-	6,260,893	839,941	-	839,941
16.2.1 Equity share premiums		6,303,386	-	6,303,386	723,962	-	723,962
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		(42,493)	-	(42,493)	115,979	-	115,979
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1,273,387	-	1,273,387	1,285,422	-	1,285,422
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		299,697	533,129	832,826	561,289	682,614	1,243,903
16.5 Profit reserves		26,431,074	272,613	26,703,687	23,431,326	200,064	23,631,390
16.5.1 Legal reserves		2,811,181	17,882	2,829,063	2,538,782	10,669	2,549,451
16.5.2 Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3 Extraordinary reserves		21,810,638	251,116	22,061,754	20,061,308	185,780	20,247,088
16.5.4 Other profit reserves		1,802,918	3,615	1,806,533	824,899	3,615	828,514
16.6 Profit or loss		5,517,277	181,373	5,698,650	3,134,638	45,862	3,180,500
16.6.1 Prior years' profits or losses		196,734	11,374	208,108	(148,390)	(40,469)	(188,859)
16.6.2 Current period net profit or loss		5,320,543	169,999	5,490,542	3,283,028	86,331	3,369,359
16.7 Minority interests		721,780	4,670	726,450	820,892	50,242	871,134
TOTAL LIABILITIES AND EQUITY		354,666,326	296,428,613	651,094,939	236,400,445	196,640,684	433,041,129

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES
TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS

AS AT SEPTEMBER 30, 2020

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

	Notes	Current Period September 30, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)	140,995,241	248,439,038	389,434,279	130,858,298	206,289,254	337,147,552
I.	GUARANTEES AND WARRANTIES	V-III-2 40,473,281	55,371,840	95,845,121	38,069,926	40,210,391	78,280,317
1.1.	Letters of guarantee	V-III-1 39,666,935	31,575,068	71,242,003	37,379,041	21,625,025	59,004,066
1.1.1.	Guarantees subject to state tender law	2,669,890	9,726,705	12,396,595	2,904,236	7,080,944	9,985,180
1.1.2.	Guarantees given for foreign trade operations	1,973,532	-	1,973,532	1,322,033	-	1,322,033
1.1.3.	Other letters of guarantee	35,023,513	21,848,363	56,871,876	33,152,772	14,544,081	47,696,853
1.2.	Bank acceptances	4,258	5,247,068	5,251,326	7,842	4,574,992	4,582,834
1.2.1.	Import letter of acceptance	-	255,742	255,742	-	220,683	220,683
1.2.2.	Other bank acceptances	4,258	4,991,326	4,995,584	7,842	4,354,309	4,362,151
1.3.	Letters of credit	272,283	18,031,988	18,304,271	141,830	13,590,815	13,732,645
1.3.1.	Documentary letters of credit	272,283	18,031,988	18,304,271	141,830	13,590,815	13,732,645
1.3.2.	Other letters of credit	-	-	-	-	-	-
1.4.	Pre-financings given as guarantee	-	6,172	6,172	-	4,736	4,736
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Purchase guarantees for securities issued	-	-	-	-	-	-
1.7.	Factoring guarantees	251,991	294,212	546,203	324,144	142,897	467,041
1.8.	Other guarantees	191,412	105,981	297,393	51,444	49,964	101,408
1.9.	Other warranties	86,402	111,351	197,753	165,625	221,962	387,587
II.	COMMITMENTS	62,626,114	37,180,749	99,806,863	50,408,925	32,589,509	82,998,434
2.1.	Irrevocable commitments	V-III-1 53,909,160	1,956,555	55,865,715	43,325,448	5,794,937	49,120,385
2.1.1.	Asset purchase and sales commitments	V-III-1 39,777	1,589,369	1,629,146	2,407,191	5,561,794	7,968,985
2.1.2.	Deposit purchase and sales commitments	-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	3,150	-	3,150	7,500	-	7,500
2.1.4.	Loan granting commitments	24,388,093	2,758	24,390,851	18,076,739	2,340	18,079,079
2.1.5.	Securities issuance brokerage commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Commitments for cheque payments	V-III-1 5,344,163	-	5,344,163	3,528,150	-	3,528,150
2.1.8.	Tax and fund liabilities on export commitments	-	-	-	-	-	-
2.1.9.	Commitments for credit card expenditure limits	V-III-1 20,651,329	-	20,651,329	17,293,741	-	17,293,741
2.1.10.	Commitments for credit card and banking services promotions	754,533	-	754,533	484,519	-	484,519
2.1.11.	Receivables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.12.	Payables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	2,728,115	364,428	3,092,543	1,527,608	230,803	1,758,411
2.2.	Revocable commitments	8,716,954	35,224,194	43,941,148	7,083,477	26,794,572	33,878,049
2.2.1.	Revocable loan granting commitments	8,716,954	35,224,194	43,941,148	7,083,477	26,794,572	33,878,049
2.2.2.	Other revocable commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	37,895,846	155,886,449	193,782,295	42,379,447	133,489,354	175,868,801
3.1.	Derivative financial instruments held for hedging purposes	-	-	-	-	-	-
3.1.1.	Fair value hedges	-	-	-	-	-	-
3.1.2.	Cash flow hedges	-	-	-	-	-	-
3.1.3.	Hedging for investments made in foreign countries	-	-	-	-	-	-
3.2.	Trading transactions	37,895,846	155,886,449	193,782,295	42,379,447	133,489,354	175,868,801
3.2.1.	Forward foreign currency purchase and sale transactions	1,883,422	3,189,179	5,072,601	2,320,043	2,217,584	4,537,627
3.2.1.1.	Forward foreign currency purchase transactions	1,067,121	1,474,425	2,541,546	1,163,458	1,109,150	2,272,608
3.2.2.	Currency and interest rate swaps	27,360,188	128,688,047	156,048,235	30,978,513	115,422,998	146,401,511
3.2.2.1.	Currency swap purchase transactions	1,626,359	33,888,233	35,514,592	1,781,342	38,137,242	39,918,584
3.2.2.2.	Currency swap sale transactions	22,453,829	13,099,516	35,553,345	25,527,171	14,629,740	40,156,911
3.2.2.3.	Interest rate swap purchase transactions	1,640,000	40,850,149	42,490,149	1,835,000	31,328,008	33,163,008
3.2.2.4.	Interest rate swaps sale transactions	1,640,000	40,850,149	42,490,149	1,835,000	31,328,008	33,163,008
3.2.3.	Currency, interest rate and security options	-	621,790	621,790	576,987	759,416	1,336,403
3.2.3.1.	Currency purchase option	-	309,234	309,234	367,787	294,076	661,863
3.2.3.2.	Currency sale option	-	312,556	312,556	209,200	465,340	674,540
3.2.3.3.	Interest rate purchase options	-	-	-	-	-	-
3.2.3.4.	Interest rate sale options	-	-	-	-	-	-
3.2.3.5.	Security purchase options	-	-	-	-	-	-
3.2.3.6.	Security sale options	-	-	-	-	-	-
3.2.4.	Currency futures	241,832	240,560	482,392	-	-	-
3.2.4.1.	Currency purchase futures	-	240,560	240,560	-	-	-
3.2.4.2.	Currency sales futures	241,832	-	241,832	-	-	-
3.2.5.	Interest rate futures	-	-	-	-	-	-
3.2.5.1.	Interest rate purchases futures	-	-	-	-	-	-
3.2.5.2.	Interest rate sales futures	-	-	-	-	-	-
3.2.6.	Other	8,410,404	23,146,873	31,557,277	8,503,904	15,089,356	23,593,260
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	3,697,707,531	3,751,636,107	7,449,343,638	2,297,605,505	1,578,274,516	3,875,880,021
IV.	ITEMS HELD IN CUSTODY	77,100,058	27,188,612	104,288,670	76,566,563	15,168,557	91,735,120
4.1.	Customer fund and portfolio balances	4,345,968	-	4,345,968	2,113,691	-	2,113,691
4.2.	Securities held in custody	53,290,366	8,848,468	62,138,834	57,617,522	5,230,911	62,848,433
4.3.	Checks received for collection	9,579,043	1,579,330	11,158,373	8,743,308	1,190,464	9,933,772
4.4.	Commercial notes received for collection	8,051,912	1,434,482	9,486,394	6,704,176	1,084,425	7,788,601
4.5.	Other assets received for collection	2,152	310	2,462	2,152	238	2,390
4.6.	Securities received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	451,415	9,706,853	10,158,268	204,705	4,909,862	5,114,567
4.8.	Custodians	1,379,202	5,619,169	6,998,371	1,181,009	2,752,657	3,933,666
V.	PLEDGED ITEMS	800,783,139	330,783,537	1,131,566,676	775,988,471	242,582,316	1,018,570,787
5.1.	Marketable securities	297,641	129,889	427,530	299,466	44,434	343,900
5.2.	Guarantee notes	1,100,548	3,992,374	5,092,922	837,716	1,783,494	2,621,210
5.3.	Commodity	109,468,315	3,652,329	113,120,644	106,248,275	2,762,344	109,010,619
5.4.	Warrant	-	-	-	-	-	-
5.5.	Immovables	524,726,905	276,889,693	801,616,598	552,289,678	193,747,833	746,037,511
5.6.	Other pledged items	164,623,447	46,021,807	210,645,254	115,697,559	44,107,197	159,804,756
5.7.	Depositories receiving pledged items	566,283	97,445	663,728	615,777	137,014	752,791
VI.	ACCEPTED GUARANTEES AND WARRANTS	2,819,824,334	3,393,663,958	6,213,488,292	1,445,050,471	1,320,523,643	2,765,574,114
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	3,838,702,772	4,000,075,145	7,838,777,917	2,428,463,803	1,784,563,770	4,213,027,573

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

	Notes	Current Period January 1, 2020- September 30, 2020	Current Period July 1, 2020- September 30, 2020	Prior Period January 1 2019- September 30, 2019	Prior Period July 1 2019- September 30, 2019	
I.	INTEREST INCOME	V-IV-1	33,987,371	12,463,481	32,151,335	11,122,370
1.1	Interest on loans	V-IV-1	26,864,696	9,620,021	26,235,791	9,161,483
1.2	Interest received from reserve deposits		89,803	55,552	280,207	75,774
1.3	Interest received from banks	V-IV-1	84,587	18,794	263,161	84,802
1.4	Interest received from money market transactions		1,117	367	2,881	919
1.5	Interest received from marketable securities portfolio	V-IV-1	6,731,921	2,688,938	5,166,044	1,736,787
1.5.1	Financial assets at fair value through profit or loss		267,831	212,819	59,083	17,506
1.5.2	Financial assets at fair value through other comprehensive income		2,855,268	1,152,429	1,585,643	594,788
1.5.3	Financial assets measured at amortised cost		3,608,822	1,323,690	3,521,318	1,124,493
1.6	Finance lease interest income		196,956	73,532	174,586	58,703
1.7	Other interest income		18,291	6,277	28,665	3,902
II.	INTEREST EXPENSES	V-IV-2	17,837,385	6,937,189	23,147,053	7,610,579
2.1	Interest on deposits	V-IV-2	10,277,438	4,173,064	14,181,253	5,005,995
2.2	Interest on funds borrowed	V-IV-2	1,153,349	353,354	1,360,706	425,870
2.3	Interest on money market transactions		2,614,951	1,040,712	4,391,095	1,032,149
2.4	Interest on securities issued	V-IV-2	3,405,224	1,185,356	3,059,046	1,101,436
2.5	Leasing interest income		108,140	31,322	117,139	40,664
2.6	Other interest expenses		278,283	153,381	37,814	4,465
III.	NET INTEREST INCOME/EXPENSE (I - II)		16,149,986	5,526,292	9,004,282	3,511,791
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		2,355,865	750,952	2,717,627	892,553
4.1	Fees and commissions received		2,956,576	947,585	3,532,886	1,165,358
4.1.1	Non-cash loans		554,095	191,659	529,468	180,599
4.1.2	Other		2,402,481	755,926	3,003,418	984,759
4.2	Fees and commissions paid (-)		600,711	196,633	815,259	272,805
4.2.1	Non-cash loans		5,344	1,027	3,291	545
4.2.2	Other		595,367	195,606	811,968	272,260
V.	DIVIDEND INCOME		17,459	172	8,546	114
VI.	TRADING PROFIT/LOSS (Net)	V-IV-3	(2,373,182)	(1,606,526)	(1,981,358)	(917,484)
6.1	Profit/losses from capital market transactions	V-IV-3	1,440,546	706,848	254,010	132,869
6.2	Profit/losses from derivative financial transactions	V-IV-3	(1,184,079)	(148,135)	(2,678,886)	(1,185,987)
6.3	Foreign exchange profit/losses	V-IV-3	(2,629,649)	(2,165,239)	443,518	135,634
VII.	OTHER OPERATING INCOME	V-IV-4	6,859,337	1,564,095	5,054,146	1,575,114
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		23,009,465	6,234,985	14,803,243	5,062,088
IX.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	9,057,680	2,689,386	5,930,368	1,959,794
X.	OTHER PROVISION EXPENSES (-)	V-IV-5	57,588	(20,579)	41,121	(13,122)
XI.	PERSONNEL EXPENSES (-)		2,605,791	855,986	2,309,275	825,450
XII.	OTHER OPERATING EXPENSES (-)	V-IV-6	4,555,675	1,213,055	3,843,413	1,167,967
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		6,732,731	1,497,137	2,679,066	1,121,999
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		46,596	18,639	48,196	15,774
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-	-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	6,779,327	1,515,776	2,727,262	1,137,773
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(1,238,520)	(198,436)	(579,091)	(320,604)
18.1	Current tax provision	V-IV-10	(1,329,413)	443,652	(1,313,193)	(864,476)
18.2	Expense effect of deferred tax (+)	V-IV-10	(1,536,086)	(909,318)	(989,708)	(269,289)
18.3	Income effect of deferred tax (-)	V-IV-10	1,626,979	267,230	1,723,810	813,161
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	V-IV-9	5,540,807	1,317,340	2,148,171	817,169
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income from assets held for sale		-	-	-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-	-	-
20.3	Other income from discontinued operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses on assets held for sale		-	-	-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-	-	-
21.3	Other expenses from discontinued operations		-	-	-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current tax provision		-	-	-	-
23.2	Expense effect of deferred tax (+)		-	-	-	-
23.3	Income effect of deferred tax (-)		-	-	-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	V-IV-11	5,540,807	1,317,340	2,148,171	817,169
25.1	Group's profit/(loss)		5,490,542	1,298,278	2,020,109	753,924
25.2	Minority shares (-)		50,265	19,062	128,062	63,245
	Profit/Loss per 100 shares (full TL)	I-XXIV	1.6818	0.3243	0.8080	0.3015

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Current Period January 1, 2020- September 30, 2020	Prior Period January 1, 2019- September 30, 2019
I.	PROFIT (LOSS)	5,540,807	2,148,171
II.	OTHER COMPREHENSIVE INCOME	(424,361)	813,585
2.1.	Other comprehensive income that will not be reclassified to profit or loss	(13,284)	(111,235)
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	(9,728)	(1,341)
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(1,368)	(1,708)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(3,477)	(115,043)
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	1,289	6,857
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(411,077)	924,820
2.2.1.	Exchange Differences on Translation	249,682	79,613
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(633,337)	898,576
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	(137,510)	93,967
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	110,088	(147,336)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	5,116,446	2,961,756

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

(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 Except minority share	Minority interest	Total Shareholders' Equity
Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6							
Current Period September 30, 2020																	
I.	Prior Period End Balance	2,500,000	723,962	-	115,979	693,898	(105,972)	697,496	407,474	879,787	(43,358)	23,631,390	3,180,500	-	32,681,156	871,134	33,552,290
II.	Corrections and Accounting Policy Changes Made																
	According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	2,500,000	723,962	-	115,979	693,898	(105,972)	697,496	407,474	879,787	(43,358)	23,631,390	3,180,500	-	32,681,156	871,134	33,552,290
IV.	Total Comprehensive Income	-	-	-	-	(10,204)	(740)	(1,091)	249,682	(523,249)	(137,510)	-	5,490,542	5,067,430	49,016	5,116,446	
V.	Capital Increase by Cash	1,405,622	5,579,424	-	-	-	-	-	-	-	-	-	-	6,985,046	-	6,985,046	
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes	-	-	-	(158,472)	-	-	-	-	-	207,606	(107,701)	-	(58,567)	(193,700)	(252,267)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	2,864,691	(2,864,691)	-	-	-	-	
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	2,864,691	(2,864,691)	-	-	-	-	
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Ending Balance (I+II+...X+XI)	3,905,622	6,303,386	-	(42,493)	683,694	(106,712)	696,405	657,156	356,538	(180,868)	26,703,687	208,108	5,490,542	44,675,065	726,450	45,401,515

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

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

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

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

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

	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority Interest	Total Shareholders' Equity	
						1	2	3	4	5	6							
Prior Period September 30, 2019																		
I. Prior Period End Balance		2,500,000	724,276	-	91,433	776,360	(41,357)	441,729	307,342	(117,769)	(102,292)	18,687,653	5,096,704	-	28,364,079	741,674	29,105,753	
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)		2,500,000	724,276	-	91,433	776,360	(41,357)	441,729	307,342	(117,769)	(102,292)	18,687,653	5,096,704	-	28,364,079	741,674	29,105,753	
IV. Total Comprehensive Income		-	-	-	-	19,888	(1,843)	(111,290)	79,613	751,818	93,967	-	-	2,020,109	2,852,262	109,494	2,961,756	
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease by Other Changes		-	3,589	-	(43,407)	-	-	-	-	-	-	(479,922)	450,030	-	(69,710)	6,936	(62,774)	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,736,944	(5,736,944)	-	-	-	-	
11.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,736,944	(5,736,944)	-	-	-	-	
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Balance		2,500,000	727,865	-	48,026	796,248	(43,200)	330,439	386,955	634,049	(8,325)	23,944,675	(190,210)	2,020,109	31,146,631	858,104	32,004,735	

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW**

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

	Notes	Current Period September 30, 2020	Prior Period September 30, 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		3,504,907	4,074,678
1.1.1 Interest received (+)		28,050,565	28,848,127
1.1.2 Interest paid (-)		(17,885,669)	(22,779,235)
1.1.3 Dividends received (+)		17,459	7,923
1.1.4 Fees and commissions received (+)		3,586,403	3,532,886
1.1.5 Other income (+)		312,659	1,071,669
1.1.6 Collections from previously written off loans and other receivables (+)		3,790,905	1,735,937
1.1.7 Cash payments to personnel and service suppliers (-)		(2,647,225)	(2,498,731)
1.1.8 Taxes paid (-)		(2,374,022)	(1,723,457)
1.1.9 Other (+/-)		(9,346,168)	(4,120,441)
1.2 Changes in operating assets and liabilities subject to banking operations		37,390,210	2,576,225
1.2.1 Net decrease (increase) in financial assets at fair value through profit or loss (+/-)		(7,541,437)	(205,576)
1.2.2 Net decrease (increase) in due from banks (+/-)		(7,472,720)	(87,682)
1.2.3 Net decrease (increase) in loans		(130,258,789)	(36,717,269)
1.2.4 Net decrease (increase) in other assets (+/-)		(10,072,786)	39,567
1.2.5 Net increase (decrease) in bank deposits (+/-)		2,316,867	2,919,515
1.2.6 Net increase (decrease) in other deposits (+/-)		140,849,210	46,645,348
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-	-
1.2.8 Net increase (decrease) in funds borrowed (+/-)		7,718,455	(3,261,760)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		41,851,410	(6,755,918)
I. Net cash provided from banking operations(+/-)		40,895,117	6,650,903
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities(+/-)		(63,784,736)	(13,275,273)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(48,556)	(181,576)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		700	220
2.3 Cash paid for the purchase of tangible and intangible asset (-)		(1,768,004)	(1,229,410)
2.4 Cash obtained from the sale of tangible and intangible asset (+)		371,516	223,900
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(73,712,229)	(13,740,412)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		17,584,717	7,376,710
2.7 Cash paid for the purchase of financial assets at amortised cost (-)		(10,987,874)	(6,306,183)
2.8 Cash obtained from sale of financial assets at amortised cost (+)		4,824,545	812,410
2.9 Other (+/-)		(49,551)	(230,932)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities (+/-)		19,650,068	9,370,093
3.1 Cash obtained from funds borrowed and securities issued (+)		28,276,135	25,192,307
3.2 Cash outflow from funds borrowed and securities issued (-)		(15,336,922)	(15,560,043)
3.3 Equity instruments issued (+)		7,000,000	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance lease liabilities (-)		(289,145)	(262,171)
3.6 Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		190,164	(13,682)
V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)		(3,049,387)	2,732,041
VI. Cash and cash equivalents at beginning of the period (+)		29,986,852	21,379,500
VII. Cash and cash equivalents at end of the period (V+VI)		26,937,465	24,111,541

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

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SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

The accounting policies and valuation principles applied in the preparation of the consolidated financial statements have been determined and applied by BRSA in accordance with the regulations, communiqués, explanations and circulars published in accordance with the accounting and financial reporting principles and if no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS.

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

Covid-19 virus, which first appeared in China and spread rapidly worldwide in a short time, started to appear in our country in March. Declared as an epidemic by the World Health Organization, Covid-19 had economic and social impacts worldwide. In order to slow down the epidemic, many measures have been taken, including in our country, to restrict travels around the world, to take quarantine measures, to increase distance work, and various arrangements are made to reduce the economic effects of the epidemic. The Group has explained the effects of Covid-19, which it reflects in the financial statements dated September 30, 2020, in the following sections. In addition, while preparing the interim financial statements dated September 30, 2020, the fair value measurements were reviewed within the scope of TFRS 13 Fair Value Measurement standard.

Additional paragraph for convenience translation to English

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

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ACCOUNTING POLICIES (Continued)

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

Strategy for the use of financial instruments

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

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

In March 24, 2020, Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (ESV) shares, which are presented in the paid-in capital of Vakıfbank International AG Turkey Foundations Bank, are purchased by the Parent Bank. Because of the exchange risk arise from the 75.7 Million EUR of Vakıfbank International AG's paid-in capital shares amounting to 100 Million EUR, the fair value hedging strategy has been applied. In this context, as of September 30, 2020, the foreign exchange income presented in the income statement is TL 180,868. 76.8 Million EUR portion of the securities issued by the Parent Bank on 4 May 2016 with a nominal amount of 500 million Euros and the redemption date of 4 May 2021, were determined as hedging instruments. In this transaction, fair value changes related to the investment abroad, which is a hedged item, are reflected in the income statement as long as the hedging transaction is effective. The effectiveness of the transaction is the degree to balance the changes in the fair value of the hedged item that can be associated with the hedged currency risk by the hedging instrument.

As of September 30, 2020, it was identified that the evaluations that were made about the process to protect from the net investment hedge were effective. Efficiency testing, which is consistent with the Parent Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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ACCOUNTING POLICIES (Continued)

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

Consolidated subsidiaries

As at and for the nine-month period ended September 30, 2020, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

A share transfer agreement was signed with TVF Finansal Yatırımlar AŞ on April 22, 2020 for Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ and the share transfer has been completed as of the same date. In the previous period, the aforementioned subsidiaries were consolidated over Non-Current Assets or Disposal Groups "Held for Sale" and "From Discontinued Operations" in the Assets and Liabilities section of the balance sheet, and in the income statement they were consolidated with full consolidation method. Subsidiaries were excluded from the scope of consolidation after the transaction. Balances belonging to income and expense items realized until the sale transaction date of the mentioned subsidiaries are accounted in the consolidated income statement.

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.

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

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

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

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

Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to in compliance 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 September 30, 2020 and December 31, 2019 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

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ACCOUNTING POLICIES (Continued)

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

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

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at September 30, 2020 and December 31, 2019, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the nine-month period ended September 30, 2020, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

Embedded derivative products are not separated from the articles of association and are accounted according to the standard on which the articles of association are based. As of September 30, 2020, the Parent Bank does not have any embedded derivative financial instruments.

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ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

Classification and Measurement of Financial Instruments

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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

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

Financial Assets Measured at Amortized Cost

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

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

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

Derivative Financial Assets

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

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

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

Loans

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

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

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

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

Different macroeconomic models have been created for the retail portfolio and commercial portfolio, and macroeconomic forecasts affect the expected loss provision calculations in two separate scenarios, base and bad. The scenario weights used in the calculation of the “Expected Credit Loss Provision” were reconsidered and the weight of negative scenario was increased and adjustments were made in macroeconomic estimates in order to reflect the effects of Covid-19. The future macroeconomic expectations taken into account into TFRS 9 are in line with the Bank’s current budget and ISEDES forecasts.

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

Macroeconomic forecasts and risk delinquency data used in risk parameter models are re-evaluated every quarter to reflect changes in economic conjuncture and are updated if needed.

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

Staging

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

Stage 1:

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

Stage 2:

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Stage 3:

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

Significant Increase in Credit Risk

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

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

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

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

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

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

Within the scope of the measures taken for COVID-19, the Bank, pursuant to the BRSA's decision numbered 8970 dated 27 March 2020, effective as of March 17, 2020, and within the scope of Article 4 of the "Regulation on the Principles and Procedures Regarding the Classification of Loans and the Provisions", 30-day delay period which was envisaged for classification in the Group II has started to be applied as 90 days until 31 December 2020 for the loans followed in the Group I. the Parent Bank continues to calculate the Expected Credit Loss based on its own risk models.

Default Definition

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

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

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

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

Write off Policy

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. The Parent Bank performs objective and subjective assessments whether there is reasonable expectation. In accordance with the amendment in the related regulation on provisions, the deduction of loans from the records is an accounting practice and does not result in the right to waive. In the current period, a write-off transaction has been made for non-performing loans in the amount of TL 890,789 for which 100% provision has been made. (31 December 2019: None.)

Asset Sales Policy

Banks that are directly or indirectly owned by the public or banks that are controlled by the public and financial institutions qualified as subsidiaries to these Banks can sell non-performing loans to asset management companies. As of 30 September 2020 and 31 December 2019, there are no transactions of this nature at the Parent Bank.

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

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

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

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

As of April 22, 2020, all of the shares owned by the Parent Bank in Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ were transferred to TVF Finansal Yatırımlar AŞ, and the Parent Bank have not had any shares left in the relevant companies.

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The difference between the values of net assets in the financial statements prepared as of the date of the change of shares in the real estate project in which Vakıfbank Gayrimenkul Yatırım Ortaklığı AŞ, which is a subsidiary of the Parent Bank, participates and fair value of the project partnership are classified under Intangible Assets - Goodwill Arising from Purchasing Accounting. As of September 30, 2020, the goodwill amount is TL 14,631 (December 31, 2019: TL 14,631)

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON LEASING ACTIVITIES

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

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

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

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

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

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at September 30, 2020 is TL 7,117 (full TL) (December 31, 2019: TL 6,380 (full TL)).

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

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ACCOUNTING POLICIES (Continued)

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

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 Parent Bank recognizes actuarial gains and losses generated in related reporting periods in equity.

Pension fund

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

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

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

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

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

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

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.

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ACCOUNTING POLICIES (Continued)

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the “Actuaries Regulation” which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report regarding December 31, 2019 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at September 30, 2020.

XVII. INFORMATION ON TAXATION

Corporate tax

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

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Except for the dividend payments to these institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax. No further tax is paid if the profit is not distributed.

75% of the profit from sales of associate shares that held at least 2 years and 50% of the profit from sales of real estates are exceptional from corporate taxes if there is a capital increase according to Corporate Tax Law or it is hold for 5 years on a special fund account. The Parent Bank follows these profits in “Other Profit Reserves” under the equity.

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

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

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

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

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

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.

Banking and Insurance Transaction Tax

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

Deferred taxes

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

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

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

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

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

Transfer Pricing

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

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

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON CASH AND CASH EQUIVALENT

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The Parent Bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the Parent Bank having nominal value of TL 322,000, representing the 25.18% of the Parent 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.

With the decision of the Parent Bank’s Board of Directors dated May 11, 2020, it has been decided to increase the paid-in capital of TL 2,500,000 provided that it remains within the registered capital ceiling, by completely restricting the pre-emptive rights of the current shareholders and by increasing cash capital increase, which will generate a total sales revenue of TL 7,000,000 in total. Within the framework of the relevant legislation of the Capital Markets Board , the Banking Regulation and Supervision Agency and the Procedure for Borsa İstanbul’s Wholesale Purchase and Sales Transactions, all of the shares to be issued due to the capital increase, are set to be transferred to Turkey Wealth Fund, without public offering and by dedicated sales method.

In the special circumstances disclosure published by the Parent Bank on May 15, 2020, it was announced that the sales price of the shares to be issued was determined as 4.98 TL for a share with a nominal value of TL 1, and the paid-in capital due to capital increase will be increased from TL 2,500,000 to TL 3,905,622.

In 20 May 2020 the shares with a nominal value of TL 1.405,622 issued by the Parent Bank are sold with a dedicated sales method for a share with a nominal value of TL 1, with a total sales revenue of TL 7,000,000 over the price of TL 4.98. As of the same date, the shares were sold to Turkey Wealth Fund through the wholesale transaction method in stock market and the capital increase transactions have been completed and the amount of TL 5,579,359 was recorded as share premium.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at September 30, 2020, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 175,736 (December 31, 2019: TL 197,513).

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ACCOUNTING POLICIES (Continued)

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.

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the nine-month period ended September 30, 2020, earnings per 100 shares are full TL 1.6818 (September 30, 2019: full TL 0.808).

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 V.

Insurance operations

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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 (prospective method). Mathematical provision also includes the saving portion of the provisions for saving life product.

For the contracts that the Group has committed to pay dividends, from the income of the assets on which the provisions set aside for their liabilities to policyholders and beneficiaries, limited to the technical interest income calculated according to the dividend distribution system specified in the approved dividend technical principles, the amount including the guaranteed portion, consists of accumulated dividend provisions from previous years.

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

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

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

Individual pension business

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

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

In addition to the 'payables to participants' account, mentioned in the previous paragraph, individual pension system payables also includes participants' temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested.

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

Classifications

In the previous periods "Gain on Sale of Immovable and Shares of Associates and Subsidiaries" which was classified under "Other Accumulated Comprehensive Income or Expenses that will not be Reclassified in Profit or Loss" in the balance sheet, were classified under "Other Profit Reserves" in the balance sheet dated 30 September 2020, and the balance sheet dated 31 December 2019 is shown in accordance with the current period.

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ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Explanations on TFRS 16 Standard

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

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

The amounts recognized under IFRS 16 as of September 30, 2020 and December 31, 2019 are presented below.

Current Period – September 30, 2020	Service Buildings	Vehicles	Total
Lease payables	1,340,638	25,318	1,365,956
Deferred rental expenses	369,088	2,939	372,027
Lease payables (Net)	971,550	22,379	993,929
Right of use assets	906,029	19,972	926,001

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

Short term lease contracts with a duration of 12 months or less and lease contracts for ATMs that are determined to be of low value by the Parent Bank have been evaluated within the scope of the exemption recognized by the standard, and payments for these contracts are recorded as expense in the period they occur. In this context, TL 59,105 of lease payments were made in the related period. (September 30, 2019: TL 72,364)

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

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

Additionally, the recent revision changes considered are as follows:

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

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

In accordance with the BRSA regulation dated April 16, 2020, and numbered 3984, 0% risk weight was used in the calculation of the amount subject to credit risk for the receivables of the banks from the CBRT and in FX.

As of September 30, 2020 Group’s equity amount TL 64,025,813 (December 31, 2019: TL 52,330,948) and capital adequacy ratio is 17.04 % (December 31, 2019: 16.22 %).

Information about the consolidated shareholder equity items

Current Period - September 30, 2020	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	3,905,622	
Share Premium	6,303,386	
Reserves	26,703,687	
Income recognized under equity in accordance with TAS	2,667,291	
Profit	5,698,650	
Current Period’s Profit	5,490,542	
Prior Period’s Profit	208,108	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	(42,493)	
Minority shares	725,353	
Common Equity Tier 1 Capital Before Deductions	45,961,496	
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	376,050	-
Leasehold Improvements on Operational Leases	187,120	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	267,958	271,239
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	831,128	
Common Equity Tier 1 capital (CET1)	45,130,368	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank’s borrowing instruments and related issuance premium	11,364,275	
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	11,364,275	
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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(Continued)**

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Current Period- September 30, 2020		
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 Capital (AT1)	11,364,275	-
Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)	56,494,643	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	3,341,978	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	325,763	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	1,097	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4,197,149	-
Tier 2 Capital Before Deductions	7,540,224	-
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	7,540,224	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	64,034,867	-
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 (-)	9,054	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	64,025,813	-
Total Risk Weighted Amounts	375,795,943	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	12.01	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	15.03	-
Consolidated Capital Adequacy Ratio (%)	17.04	-
BUFFERS		
Total buffer requirement (a+b+c)	3.507	-
a) Capital conservation buffer requirement (%)	2.500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.007	-
c) Systemically important banks buffer requirement (%)	1.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.51	-
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)	8,416,121	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	4,197,149	-
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 CONSOLIDATED FINANCIAL
REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - December 31, 2019	Amount	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,962	
Reserves	23,631,390	
Income recognized under equity in accordance with TAS	2,769,902	
Profit	3,180,500	
Current Period's Profit	3,369,359	
Prior Period's Profit	(188,859)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	115,979	
Minority shares	859,371	
Common Equity Tier 1 Capital Before Deductions	33,781,104	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	240,577	-
Leasehold Improvements on Operational Leases	194,483	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	234,853	238,059
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	669,913	
Common Equity Tier 1 capital (CET1)	33,111,191	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	9,670,380	
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	
Third parties' share in the Additional Tier 1 capital -	-	
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	
Additional Tier 1 Capital before deductions	9,670,380	
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Prior Period- December 31, 2019		
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 Capital	9,670,380	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	42,781,571	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,873,555	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	488,644	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	11,763	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,669,673	-
Tier 2 Capital Before Deductions	9,554,991	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	9,554,991	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	52,336,562	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	5,614	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	52,330,948	-
Total Risk Weighted Amounts	322,729,325	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	10.26	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.26	-
Consolidated Capital Adequacy Ratio (%)	16.22	-
BUFFERS		
Total buffer requirement (a+b+c)	3.520	-
a) Capital conservation buffer requirement (%)	2.500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.020	-
c) Systemically important banks buffer requirement (%)**	1.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.76	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,736,281	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,669,673	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - September 30, 2020						
Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB0043	XS1984644812	TRSVKFB92925
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
Regulatory treatment						
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	325	1,766	525	4,994	6,371	725
Par value of instrument (in million)	4,838	1,766	525	4,994	6,371	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Current Period - September 30, 2020

Coupons / dividends						
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in a year	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date
Coupon rate and any related index	6% fixed interest rate	8% fixed interest rate	5 years maturity “Indicator Government Debt Security” +350 basis points	12.62 % fixed interest rate	5.076 % fixed interest rate	TLREF + 150 basis points
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible						
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil	Nil
Write-down feature						
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. BRSA regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.	Available. BRSA regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent write down feature.	Has permanent or temporary write down feature.	Has permanent or temporary write down feature.	Has permanent write down feature.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism.	Has no write-up mechanism.	Has write-up mechanism.	Has write-up mechanism.	Has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7	Possess Article 8
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7	Not Possess Article 7

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - December 31, 2019							
Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733/ US90015WAE30	TRSVKFB92719	TRSVKFBA0043	XS1984644812	TRSVKFB92925
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
Regulatory treatment							
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	488	2,780	1,355	525	4,994	4,677	725
Par value of instrument (in million)	4,119	2,788	1,355	525	4,994	4,677	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011-Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - December 31, 2019

Coupons / dividends							
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in a year	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date
Coupon rate and any related index	6% fixed interest rate	6.875% fixed interest rate	8% fixed interest rate	5 years maturity “Indicator Government Debt Security” +350 basis points	12.62 % fixed interest rate	5.076 % fixed interest rate	TLREF + 150 basis points
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible							
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Write-down feature							
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. BRSA regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.	Available. BRSA regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent write down feature.	Has permanent write down feature.	Has permanent or temporary write down feature.	Has permanent or temporary write down feature.	Has permanent write down feature.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism.	Has no write-up mechanism.	Has no write-up mechanism.	Has write-up mechanism.	Has write-up mechanism.	Has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7	Possess Article 8
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7	Not Possess Article 7

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	Current Period September 30, 2020	Prior Period December 31, 2019
Shareholders' equity	45,401,515	33,552,290
Valuation differences of the marketable securities	185,028	-
Leasehold improvements on operational leases	(187,120)	(194,483)
Goodwill and intangible assets	(267,958)	(234,853)
General provision (1.25% of the amount that subject to credit risk)	4,197,149	3,669,673
Subordinated debt	14,706,253	15,543,935
Deductions from shareholders' equity	(9,054)	(5,614)
Capital	64,025,813	52,330,948

^(*) In accordance with the BRSA regulation dated March 23, 2020, and numbered 3397, in calculating the capital adequacy ratio, the equity amount calculated without taking into consideration the negative valuation differences of the securities in the “Fair Value of Financial Assets Through Other Comprehensive Income” portfolio, which was obtained before this date, was used.

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

^(***) In accordance with the BRSA regulation dated April 16, 2020, and numbered 3984, 0% risk weight was used in the calculation of the amount subject to credit risk for the receivables of the banks from the CBRT and in FX.

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

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

As at September 30, 2020 and December 31, 2019, the Group does not have derivative financial instruments held for hedging purpose.

Foreign exchange risk management policy

The Parent Bank manages the Turkish currency or foreign currency risks that may arise in domestic and international markets and follows the transactions that create these risks, and manages these risks at optimum levels within the framework of market expectations and within the scope of the Parent Bank’s strategies by considering the balance with other financial risks.

Sensitivity analysis regarding the Parent Bank’s exposure on the currency risk is explained in the related section II.

The Parent Bank’s 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	7.7600	9.1010
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	7.8401	9.2040
Day 2	7.7791	9.0758
Day 3	7.6482	8.8920
Day 4	7.6307	8.8883
Day 5	7.7012	8.9889
	US Dollar	Euro
Last 30-days arithmetical average rate	7.5046	8.8569

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(Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period- September 30, 2020	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	13,681,703	22,108,091	3,207,011	38,996,805
Banks	567,519	1,963,726	264,537	2,795,782
Financial assets at fair value through profit or loss	-	153,441	9,451,672	9,605,113
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	13,190,927	40,923,314	-	54,114,241
Loans ^{(1) (2)}	65,999,414	60,001,727	228,972	126,230,113
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	7,131,928	7,551,525	-	14,683,453
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,243	13,280	-	14,523
Intangible assets	362	-	-	362
Other assets ⁽³⁾	5,568,354	7,755,887	1,820	13,326,061
Total assets	106,141,453	140,470,991	13,154,012	259,766,456
<i>Liabilities:</i>				
Bank deposits	5,090,372	3,876,318	421,670	9,388,360
Foreign currency deposits	58,758,669	96,826,071	17,589,147	173,173,887
Interbank money market takings	5,164,108	8,820,071	-	13,984,179
Other funding	22,779,776	27,199,476	157,059	50,136,311
Securities issued ⁽⁴⁾	11,102,021	30,526,143	1,508,523	43,136,687
Miscellaneous payables	984,109	382,009	287	1,366,405
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽⁵⁾	621,632	3,174,205	15,826	3,811,663
Total liabilities	104,500,687	170,804,293	19,692,512	294,997,492
Net ‘on balance sheet’ position	1,640,766	(30,333,302)	(6,538,500)	(35,231,036)
Net ‘off-balance sheet’ position	611,676	17,443,854	6,778,466	24,833,996
Derivative assets ⁽⁵⁾	10,914,532	21,838,319	8,063,959	40,816,810
Derivative liabilities ⁽⁵⁾	10,302,856	4,394,465	1,285,493	15,982,814
Non-cash loans ⁽⁶⁾	26,265,163	28,328,199	778,478	55,371,840
Prior Period - December 31, 2019	Euro	US Dollar	Other FC	Total
Total assets	81,179,147	81,204,896	4,773,065	167,157,108
Total liabilities	78,138,900	110,524,081	6,692,965	195,355,946
Net ‘on balance sheet’ position	3,040,247	(29,319,185)	(1,919,900)	(28,198,838)
Net ‘off-balance sheet’ position	(1,473,866)	23,197,295	1,937,708	23,661,137
Derivative assets ⁽⁵⁾	8,297,016	32,111,731	2,728,069	43,136,816
Derivative liabilities ⁽⁵⁾	9,770,882	8,914,436	790,361	19,475,679
Non-cash loans ⁽⁶⁾	18,482,281	21,259,341	468,769	40,210,391

⁽¹⁾ Foreign currency indexed loans amounting to TL 630,504 (December 31, 2019: TL 1,041,327) 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 181,981 (December 31, 2019: TL 244,250) presented in TL column in the accompanying consolidated balance sheet are included.

⁽³⁾ Other Derivative Financial Instruments Currency Income Costs TL 49,378 (December 31, 2019: TL 128,610), Prepaid Expenses TL 157,860 (December 31, 2019: TL 129,290), 1st and 2nd stage expected loss provisions (55,871) (December 31, 2019: (48,726)), and derivative financial instruments currency expense accruals of TL 158,695 (December 31, 2019: TL 63,526), deferred tax liabilities TL 41,973 (December 31, 2019: TL 30,758), Expected Credit Loss on Non-Cash Loans amounting to TL 8,067 (31 December 2019: 5,873), unearned income TL 225,806 (December 31, 2019: TL 211,672) and shareholders' equity TL 991,785 (December 31, 2019: TL 978,782) are not taken into consideration in the currency risk calculation.

⁽⁴⁾ Subordinated loans are shown under securities issued.

⁽⁵⁾ Asset purchase commitments amounting to TL 803,952 (December 31, 2019: TL 2,203,998) and asset sales commitments amounting to TL 785,417 (December 31, 2019: TL 3,357,796) are included.

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

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(Continued)

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10% depreciation of the TL against the following currencies as at and for the nine-month period ended September 30, 2020 and September 30, 2019 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	Current Period- September 30, 2020		Prior Period- September 30, 2019	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(1,290,273)	(1,290,273)	47,685	47,685
Euro	225,083	364,954	193,889	286,051
Other currencies	23,997	23,997	1,458	1,458
Total, net ^(**)	(1,041,193)	(901,322)	243,032	335,194

^(*) 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 nine-month period ended September 30, 2020 and September 30, 2019 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- September 30, 2020		Prior Period- September 30, 2019	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	1,290,273	1,290,273	(47,685)	(47,685)
Euro	(225,083)	(364,954)	(193,889)	(286,051)
Other currencies	(23,997)	(23,997)	(1,458)	(1,458)
Total, net ^(**)	1,041,193	901,322	(243,032)	(335,194)

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

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

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

III. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

Current Period- September 30, 2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	2,206,117	-	-	-	-	41,396,478	43,602,595
Banks	37,946	886,880	-	-	-	1,909,350	2,834,176
Financial assets at fair value through profit/loss	3,304,438	3,453	3,957,940	2,301,772	-	326,069	9,893,672
Interbank money market placements	235,739	505	-	-	-	-	236,244
Financial assets at fair value through other comprehensive income	10,968,110	7,178,104	11,153,235	42,864,578	8,523,828	19,244	80,707,099
Loans ^(*)	132,117,164	73,113,505	93,359,170	74,078,682	47,312,911	16,392,678	436,374,110
Financial assets measured at amortized cost	31,821,163	1,809,538	2,965,141	15,920,935	5,497,679	-	58,014,456
Other assets ^(**)	1,533,040	3,226,145	4,561,102	312,844	2,247,461	7,551,995	19,432,587
Total assets	182,223,717	86,218,130	115,996,588	135,478,811	63,581,879	67,595,814	651,094,939
<i>Liabilities:</i>							
Bank deposits	7,057,440	4,359,610	31,095	-	-	1,383,487	12,831,632
Other deposits	242,576,311	51,546,116	13,859,275	1,448,854	61,496	76,179,695	385,671,747
Interbank money market takings	59,417,108	3,596,205	3,009,728	989,680	-	-	67,012,721
Miscellaneous payables	-	-	-	-	-	10,062,996	10,062,996
Securities issued ^(***)	1,887,921	4,351,374	10,120,445	39,772,011	5,219,004	-	61,350,755
Funds borrowed	2,509,925	30,194,968	11,851,340	5,836,151	459,060	1,464,520	52,315,964
Other liabilities ^(****)	652,093	2,106,803	3,258,679	192,252	2,436,007	53,203,290	61,849,124
Total liabilities	314,100,798	96,155,076	42,130,562	48,238,948	8,175,567	142,293,988	651,094,939
On balance sheet long position	-	-	73,866,026	87,239,863	55,406,312	-	216,512,201
On balance sheet short position	(131,877,081)	(9,936,946)	-	-	-	(74,698,174)	(216,512,201)
Off-balance sheet long position	3,492,899	9,025,672	-	-	-	-	12,518,571
Off-balance sheet short position	-	-	(2,055,556)	(1,323,970)	(2,192,164)	-	(5,571,690)
Net position	(128,384,182)	(911,274)	71,810,470	85,915,893	53,214,148	(74,698,174)	6,946,881

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

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

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

(****) Equity is included in “Non-Interest Bearing” column in other liabilities line.

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III. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period- December 31, 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	339,913	-	-	-	-	36,164,679	36,504,592
Banks	3,303,790	603,035	329,183	-	-	1,982,490	6,218,498
Financial assets at fair value through profit/loss	199	-	2,019,711	-	-	288,022	2,307,932
Interbank money market placements	14,535	-	-	-	-	-	14,535
Available-for-sale financial assets	2,262,635	1,985,624	7,692,370	8,212,306	5,629,310	18,054	25,800,299
Loans ^(*)	78,288,213	38,401,850	85,452,931	52,678,243	27,290,137	17,818,227	299,929,601
Held-to-maturity investments	9,120,723	4,987,724	12,906,825	13,666,366	6,332,995	-	47,014,633
Other assets ^(**)	629,914	721,430	266,623	2,253,453	746,922	10,632,697	15,251,039
Total assets	93,959,922	46,699,663	108,667,643	76,810,368	39,999,364	66,904,169	433,041,129
<i>Liabilities:</i>							
Bank deposits	6,416,799	3,135,429	311,986	-	-	651,040	10,515,254
Other deposits	139,688,798	35,484,320	16,962,445	1,484,184	41,826	49,953,921	243,615,494
Interbank money market takings	21,550,539	2,749,500	383,796	740,233	-	-	25,424,068
Miscellaneous payables	-	-	-	-	-	8,531,664	8,531,664
Securities issued ^(***)	2,355,658	4,353,007	2,989,974	31,860,385	6,934,485	-	48,493,509
Funds borrowed	2,255,577	28,558,228	8,462,570	3,407,580	1,360,533	1,019,196	45,063,684
Other liabilities ^(****)	569,198	764,191	81,040	2,033,618	1,066,200	46,883,209	51,397,456
Total liabilities	172,836,569	75,044,675	29,191,811	39,526,000	9,403,044	107,039,030	433,041,129
On balance sheet long position	-	-	79,475,832	37,284,368	30,596,320	-	147,356,520
On balance sheet short position	(78,876,647)	(28,345,012)	-	-	-	(40,134,861)	(147,356,520)
Off-balance sheet long position	2,535,875	4,804,841	-	-	-	-	7,340,716
Off-balance sheet short position	-	-	(207,784)	(341,823)	(1,938,734)	-	(2,488,341)
Net position	(76,340,772)	(23,540,171)	79,268,048	36,942,545	28,657,586	(40,134,861)	4,852,375

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

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

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

(****) Equity is included in “Non-Interest Bearing” column in other liabilities line.

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III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period- September 30, 2020	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	7.00
Banks	0.01	0.08	-	12.07
Financial assets at fair value through profit/loss	-	-	-	10.82
Interbank money market placements	-	-	-	10.13
Financial assets at fair value through other comprehensive income	3.46	3.62	-	11.04
Loans	5.07	6.48	-	11.91
Financial assets measured at amortized cost	4.60	6.25	-	8.86
<i>Liabilities:</i>				
Bank deposits	0.75	1.72	-	11.91
Other deposits	1.00	2.29	-	10.31
Interbank money market takings	0.83	1.77	-	10.98
Miscellaneous payables	-	-	-	-
Securities issued (**)	4.04	5.99	-	12.89
Funds borrowed	1.65	2.55	-	9.99
<hr/>				
Prior Period - December 31, 2019	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	10.00
Banks	0.01	1.67	-	11.00
Financial assets at fair value through profit/loss	-	-	-	0.83
Interbank money market placements	-	-	-	11.57
Financial assets at fair value through other comprehensive income	3.29	6.90	-	15.79
Loans	5.46	7.57	-	16.41
Financial assets measured at amortized cost	4.62	6.73	-	12.82
<i>Liabilities:</i>				
Bank deposits	0.50	2.65	-	11.09
Other deposits	0.51	2.16	-	10.41
Interbank money market takings	0.85	2.86	-	11.21
Miscellaneous payables	-	-	-	-
Securities issued (**)	4.04	6.13	-	12.59
Funds borrowed	2.00	4.16	-	8.01

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

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

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

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

The accounting applications regarding to share investments related to subsidiaries and affiliates and equity instruments classified as fair value through profit or loss are stated in the 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- September 30, 2020	Comparison		
	Carrying Value	Fair Value ^(*)	Market Value ^(*)
Stock Investments			
Stocks quoted in exchange^(*)	480,957	480,957	480,957
1.Stocks Investments Group A	480,940	480,940	480,940
2.Stock Investments Group B	17	17	17
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	1,441,838	1,337,373	

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

^(**) The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies as at December 31, 2019.

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

^(*) 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 revaluation surplus and values included to principal and supplementary capital are given in the below table:

Portfolio-Current Period – September 30, 2020	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	733,904	733,904	-	-
4. Total	-	733,904	733,904	-	-

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

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

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

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IV. CONSOLIDATED STOCK POSITION RISK (Continued)

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period - September 30, 2020	Carrying Value	Total RWA ⁽⁹⁾	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	480,957	478,314	38,265
3.Other Stocks	1,441,838	1,404,984	112,399
4. Total	1,922,795	1,883,298	150,664

⁽⁹⁾ In accordance with the BRSA regulation dated March 23, 2020 and numbered 3397, in the calculation of TL equivalents of credit risks, which are subject to foreign currency, the foreign exchange buying rate is taken into consideration, which was the basis in the preparation of the financial statements dated December 31, 2019.

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

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

Liquidity risk is defined as the risk of not fulfilling payment liabilities on time as a result of not having adequate cash or cash inflow to meet the cash outflow properly due to imbalance in cash flows of the 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 contributed to the integrated liquidity risk management structure with the Parent Bank’s all associates.

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

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

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

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

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

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

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

In accordance with the "Regulation on the Calculation of the Liquidity Coverage Ratio of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948, the highest and lowest values of the Parent Bank's Liquidity Coverage Ratio calculated weekly for the last three months and the weeks when these values were observed are given in the table below. In accordance with the related regulation, consolidated and non-consolidated total and foreign currency minimum liquidity coverage ratios are determined as one hundred percent and eighty percent, respectively. Pursuant to the BRSA's regulation numbered 3520 dated March 26, 2020, it has been decided that deposit and participation banks will be exempted from Article 32 of the LCR regulation until December 31, 2020.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	August 2020	102.62	September 2020	161.29
The highest value	July 2020	114.57	August 2020	190.18

Liquidity Coverage Ratio

Current Period- September 30, 2020		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			98,657,471	56,590,718
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	167,594,614	79,096,218	14,729,384	7,909,622
3	Stable deposits	40,601,545	-	2,030,077	-
4	Less stable deposits	126,993,069	79,096,218	12,699,307	7,909,622
5	Unsecured wholesale funding, of which:	188,773,544	75,375,084	77,867,672	30,940,007
6	Operational deposits	110,633,836	41,800,483	27,658,459	10,450,121
7	Non-operational deposits	63,458,746	29,201,277	35,614,597	16,201,749
8	Unsecured debt	14,680,962	4,373,324	14,594,616	4,288,137
9	Secured wholesale funding			-	-
10	Additional requirements of which:	17,146,750	9,390,497	17,146,749	9,390,498
11	Outflows related to derivative exposures and other collateral requirements	17,146,750	9,390,497	17,146,749	9,390,498
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	35,808,863	31,799,339	1,790,443	1,589,967
15	Other contingent funding obligations	99,900,950	24,011,781	8,479,480	1,958,510
16	TOTAL CASH OUTFLOWS			120,013,728	51,788,604
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	21,345,139	6,797,635	13,515,393	5,104,623
19	Other cash inflows	16,588,553	14,655,118	16,588,553	14,655,118
20	TOTAL CASH INFLOWS	37,933,692	21,452,753	30,103,946	19,759,741
				Upper Limit Applied Values	
21	TOTAL HQLA			98,657,471	56,590,718
22	TOTAL NET CASH OUTFLOWS			89,909,782	32,028,863
23	LIQUIDITY COVERAGE RATIO (%)			110.01	178.96

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

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

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

Liquidity Coverage Ratio

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

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

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

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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period – September 30, 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	43,602,595	-	-	-	-	-	-	43,602,595
Banks	1,909,350	37,946	886,880	-	-	-	-	2,834,176
Financial assets at fair value through profit/loss	3,145	3,304,438	3,453	3,957,940	2,301,772	-	322,924	9,893,672
Interbank money market placements	-	235,739	505	-	-	-	-	236,244
Financial assets at fair value through other comprehensive	-	268,733	947,472	11,962,899	54,530,980	12,977,771	19,244	80,707,099
Loans	-	30,602,470	9,061,963	55,074,981	221,908,359	103,333,659	16,392,678	436,374,110
Financial assets measured at amortized cost	-	155,208	980,929	3,699,554	30,897,313	22,281,452	-	58,014,456
Other assets (**)	328,199	3,353,349	1,853,620	4,744,266	2,021,591	3,715,850	3,415,712	19,432,587
Total assets	45,843,289	37,957,883	13,734,822	79,439,640	311,660,015	142,308,732	20,150,558	651,094,939
Liabilities:								
Bank deposits	1,383,487	7,057,440	4,359,610	31,095	-	-	-	12,831,632
Other deposits	77,229,942	241,682,847	51,269,392	13,964,682	1,463,388	61,496	-	385,671,747
Funds borrowed	-	1,779,671	6,293,434	19,299,894	15,535,800	9,407,165	-	52,315,964
Interbank money market takings	-	57,959,801	2,424,816	4,037,398	2,161,069	429,637	-	67,012,721
Securities issued (***)	-	1,558,520	3,857,582	7,340,410	38,954,699	9,639,544	-	61,350,755
Miscellaneous payables	-	7,047,286	-	-	-	-	3,015,710	10,062,996
Other liabilities	149,159	1,318,100	2,248,750	3,282,689	363,018	2,740,165	51,747,243	61,849,124
Total liabilities	78,762,588	318,403,665	70,453,584	47,956,168	58,477,974	22,278,007	54,762,953	651,094,939
Liquidity gap	(32,919,299)	(280,445,782)	(56,718,762)	31,483,472	253,182,041	120,030,725	(34,612,395)	-
Net Off Balance Sheet Position	-	50,475	530,074	993,906	2,592,594	1,915,458	-	6,082,507
Receivables from Derivative Financial Instruments	-	13,982,498	7,703,035	20,217,641	14,724,476	43,304,751	-	99,932,401
Payables from Derivative Financial Instruments	-	13,932,023	7,172,961	19,223,735	12,131,882	41,389,293	-	93,849,894
Non-cash Loans	46,392,770	3,766,540	7,646,639	21,053,272	14,439,858	2,356,289	189,753	95,845,121
Prior Period – December 31, 2019								
Total assets	38,853,147	30,919,666	12,234,824	51,282,369	171,017,596	103,182,355	25,551,172	433,041,129
Total liabilities	51,461,245	178,196,721	51,706,390	36,620,832	42,802,188	23,735,323	48,518,430	433,041,129
Liquidity gap	(12,608,098)	(147,277,055)	(39,471,565)	14,661,537	128,215,408	79,447,032	(22,967,258)	-
Net Off Balance Sheet Position	-	27,305	(191,471)	151,653	2,228,450	1,454,064	-	3,670,001
Receivables from Derivative Financial Instruments	-	16,853,653	7,934,791	6,988,990	24,983,777	33,008,190	-	89,769,401
Payables from Derivative Financial Instruments	-	16,826,348	8,126,262	6,837,337	22,755,327	31,554,126	-	86,099,400
Non-cash Loans	41,170,276	2,903,572	6,295,723	15,338,280	10,264,800	1,960,156	347,510	78,280,317

(*) Subsidiaries, associates and tangible and intangible assets, non-performing loans, expected losses and deferred tax asset are stated in undistributed column.

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

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

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VI. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as %7.39. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2019: %7.91). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS (1)	551,130,944	433,241,076
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)	247,962	199,947
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)	(9,203,189)	(5,621,334)
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)	33,313,188	23,962,005
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)	65,374,313	55,359,211
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)	(213,282,815)	(180,157,520)
Total risk amount	664,828,120	530,082,012

(1) The balances at the end of December 31, 2019 and June 30, 2020 prepared in accordance with Article 5, paragraph 6, of the Communiqué on the Preparation of the Consolidated Financial Statements of the Banks are included.

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

Leverage ratio common disclosure template

	Current Period - September 30, 2020 ^(*)	Prior Period- December 31, 2019 ^(*)
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	623,988,379	422,674,445
2. Assets deducted in determining Basel III Tier 1 capital	(449,451)	(471,945)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	623,538,928	422,202,500
Derivative exposures		
4. Replacement cost	9,884,451	4,111,062
5. Add-on amount	1,503,595	1,510,272
6. Total derivative exposures	11,388,046	5,621,334
Securities financing transaction exposures		
7. Gross SFT assets (with no recognition of accounting netting)	4,965,866	3,092,305
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	4,965,866	3,092,305
Other off-balance sheet exposures		
10. Off-balance sheet exposures with gross nominal amount	192,348,977	154,462,559
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(69,394,698)	(55,296,687)
12. Total off-balance sheet exposures	122,954,279	99,165,872
Capital and total exposures		
13. Tier 1 capital	56,328,204	41,900,813
14. Total exposures	762,847,119	530,082,011
Leverage ratio		
15. Leverage ratio	7.39	7.91

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

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

VII. CONSOLIDATED SEGMENT REPORTING

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

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

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

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

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

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	7,116,585	16,021,468	10,831,027	18,291	33,987,371
Interest Expense	4,386,621	5,845,988	7,525,112	79,664	17,837,385
Net Interest Income/Losses(Net)	2,729,964	10,175,480	3,305,915	(61,373)	16,149,986
Net Fees and Commissions Income	541,904	1,599,305	214,656	-	2,355,865
Trading Income/ Losses (Net)	-	-	17,459	-	17,459
Dividend Income	-	-	(2,373,182)	-	(2,373,182)
Other Income	-	-	-	6,859,337	6,859,337
Allowance for Expected Credit Losses	1,298,262	7,138,084	588,212	90,710	9,115,268
Other Expenses	-	-	-	7,161,466	7,161,466
Based on Equity Method	-	-	46,596	-	46,596
Profit Before Taxes	1,973,606	4,636,701	623,232	(454,212)	6,779,327
Provision for taxes	-	-	-	-	(1,238,520)
Net Profit/ Loss					5,540,807
Segment Assets	108,504,330	246,608,873	274,074,091	20,329,661	649,516,955
Subsidiaries and Associates (Net)	-	-	1,577,984	-	1,577,984
TOTAL ASSETS	108,504,330	246,608,873	275,652,075	20,329,661	651,094,939
Segment Liabilities	154,653,944	234,495,110	197,004,088	19,540,282	605,693,424
Equity	-	-	-	45,401,515	45,401,515
TOTAL LIABILITIES	154,653,944	234,495,110	197,004,088	64,941,797	651,094,939
Prior Period					
OPERATING INCOME/ EXPENSES					
Interest Income	6,367,971	17,191,282	8,563,417	28,665	32,151,335
Interest Expense	7,626,811	6,427,352	9,069,277	23,613	23,147,053
Net Interest Income/Losses(Net)	(1,258,840)	10,763,930	(505,860)	5,052	9,004,282
Net Fees and Commissions Income	726,678	1,732,801	258,148	-	2,717,627
Trading Income/ Losses (Net)	-	-	8,546	-	8,546
Dividend Income	-	-	(1,981,358)	-	(1,981,358)
Other Income	-	-	-	5,054,146	5,054,146
Allowance for Expected Credit Losses	1,084,422	4,524,501	324,779	37,787	5,971,489
Other Expenses	-	-	-	6,152,688	6,152,688
Based on Equity Method	-	-	48,196	-	48,196
Profit Before Taxes	(1,616,584)	7,972,230	(2,497,107)	(1,131,277)	2,727,262
Provision for taxes	-	-	-	-	(579,091)
Net Profit/ Loss					2,148,171
Segment Assets	68,112,914	174,348,959	168,620,369	20,477,634	431,559,876
Subsidiaries and Associates (Net)	-	-	1,481,253	-	1,481,253
TOTAL ASSETS	68,112,914	174,348,959	170,101,622	20,477,634	433,041,129
Segment Liabilities	112,872,965	133,752,512	130,739,892	22,123,470	399,488,839
Equity	-	-	-	33,552,290	33,552,290
TOTAL LIABILITIES	112,872,965	133,752,512	130,739,892	55,675,760	433,041,129

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

VIII. INFORMATION ON RISK MANAGEMENT

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

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

The development of the risk culture by the Parent Bank in parallel with the changes in economic conjuncture and risk perception is considered as an important factor, and it aims to provide risk awareness and sensitivity in the actions to be taken. In this direction, the training given to the personnel, risk measurements and reporting, risk reporting to the Board of Directors, Senior Management and committees, the risk appetite framework created by the Parent Bank and the internal capital adequacy assessment process make a significant contribution to the dissemination of the risk culture.

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period- September 30, 2020	Prior Period - December 31, 2019	Current Period- September 30, 2020
1 Credit Risk (excluding counterparty credit risk) ^(*)	328,459,593	287,730,822	26,276,767
2 Standardised approach	328,459,593	287,730,822	26,276,767
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	7,312,363	5,843,023	584,989
5 Standardised approach for counterparty credit risk	7,312,363	5,843,023	584,989
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds - look-through approach	-	-	-
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	14,513,873	7,395,606	1,161,110
17 Standardised approach	14,513,873	7,395,606	1,161,110
18 Internal model approaches	-	-	-
19 Operational Risk	25,510,114	21,759,874	2,040,809
20 Basic Indicator Approach	25,510,114	21,759,874	2,040,809
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)	375,795,943	322,729,325	30,063,675

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

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period - September 30, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Cash	1,666,261	1,583,428	1,450,320	1,013,138
Central Bank of the Republic of Turkey ^(*)	2,451,921	36,312,201	529,120	32,733,306
Other	487,608	1,101,176	408,434	370,274
Total	4,605,790	38,996,805	2,387,874	34,116,718

^(*) TL 18,397,815 (December 31, 2019: TL 11,454,725) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from %1.0 to %4.0 (December 31, 2019: ranging from %1.0 to %7.0). For foreign currency liabilities, all banks shall provide a reserve rate ranging from %5 to %22 in US Dollar or Euro (December 31, 2019: ranging from %5 to %21). According to the principles of communiqué No. 2019/19 dated 9 December 2019, the CBRT pays interest to banks that provide credit growth for Turkish Lira required reserves.

Balances with the Central Bank of the Republic of Turkey

	Current Period - September 30, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Unrestricted demand deposits	2,150,649	17,914,386	324,724	21,278,581
Restricted demand deposits	245,720	-	189,108	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve Deposits	55,552	18,397,815	15,288	11,454,725
Total	2,451,921	36,312,201	529,120	32,733,306

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

As of September 30, 2020, the balance of financial assets at fair value through profit or loss given as collateral is TL 9,451,672. (31 December 2019: None.)

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

None.

Positive differences on derivative financial assets held for trading purpose

	Current Period - September 30, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Forward transactions	173,030	8,794	64,165	1,418
Swap transactions	8,508,519	1,801,394	3,524,230	914,521
Futures	-	-	-	-
Options	-	1,970	205	2,689
Other	-	-	-	-
Total	8,681,549	1,812,158	3,588,600	918,628

The Parent Bank has performed cross currency and interest rate swap transactions that can be canceled. Thus, swap transactions, in the event of certain conditions related to the loan (such as not making a payment) regarding the Parent Bank, may be terminated by not realizing the amount to be paid and paid by any party according to the contract. As of 30 September 2020, the fair value of this transaction is TL 301,446, with a nominal amount of 120 million USD and an average maturity of 4.6 years. (As of 31 December 2019, the fair value of this transaction was TL 45,566, with a nominal amount of 100 million USD, and an average maturity of 4.5 years.)

3. Information on banks

	Current Period – September 30, 2020		Prior Period – December 31, 2019	
	TL	FC	TL	FC
Banks				
Domestic	38,268	49,433	6,119	427,951
Foreign	126	2,746,349	1	5,784,427
Foreign Head Offices and Branches	-	-	-	-
Total	38,394	2,795,782	6,120	6,212,378

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Current Period – September 30, 2020		Prior Period – December 31, 2019	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	110,398	40,276,952	397,624	2,528,365
Other	-	-	-	-
Total	110,398	40,276,952	397,624	2,528,365

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

	Current Period – September 30, 2020		Prior Period – December 31, 2019	
	TL	FC	TL	FC
Government bonds	6,318,643	-	2,894,007	-
Treasury bills	-	-	-	-
Other debt securities	-	9,065,749	-	1,549,492
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	6,318,643	9,065,749	2,894,007	1,549,492

Information on financial assets at fair value through other comprehensive income

	Current Period- September 30, 2020	Prior Period- December 31, 2019
Debt securities	81,026,220	25,790,926
Quoted on a Stock Exchange	81,015,433	25,725,825
Unquoted	10,787	65,101
Equity securities	19,244	18,055
Quoted on a Stock Exchange	-	-
Unquoted	19,244	18,055
Provisions for impairment losses (-)	338,365	8,682
Total	80,707,099	25,800,299

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans

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

	Current Period – September 30, 2020		Prior Period - December 31, 2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	32,084	-	29,783
Legal entities	-	32,084	-	29,783
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	477,488	48	323,645	36
Total	477,488	32,132	323,645	29,819

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

Current Period - September 30, 2020

Cash Loans	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	376,118,486	21,234,785	3,010,462	13,984,316
Loans given to enterprises	141,267,173	12,664,156	2,060,248	13,169,035
Export loans	12,961,581	310,285	178,691	-
Import loans	-	-	-	-
Loans given to financial sector	3,401,047	572	1	146
Consumer loans	94,619,787	348,276	137,022	720,159
Credit cards	13,349,927	142,696	75,068	-
Other	110,518,971	7,768,800	559,432	94,976
Specialized lending	-	-	-	-
Other receivables	2,988,408	2,644,975	-	-
Total	379,106,894	23,879,760	3,010,462	13,984,316

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 paid-in capital of Türk Telekom, were taken over by LYY Telekomünikasyon AŞ as December 21, 2018. The Parent Bank participated in LYY Telekomünikasyon AŞ with a 4.2559% share. At the Ordinary General Assembly Meeting of LYY dated September 23, 2019, it was decided that a portion of the loan would be converted to capital and added to the capital of LYY. In this context, the nominal value of the Parent Bank's shares in LYY increased from TL 2 to TL 169,483. This amount is presented under “Financial assets at fair value through profit or loss” in the financial statements. As of September 30, 2020, the amount is TL 1,092,909 (December 31, 2019: TL 802,278) and the provision is TL 332,180 (December 31, 2019: TL 65,100).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period - December 31, 2019

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

Current Period - September 30, 2020

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	2,688,877	-
Significant Increase in Credit Risk	-	5,371,053

Prior Period - December 31, 2019

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - September 30, 2020	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	1,195,344	89,802,391	90,997,735
Housing loans	3,867	40,244,930	40,248,797
Automobile loans	3,019	484,896	487,915
General purpose loans	1,188,458	49,072,565	50,261,023
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	167	4,909	5,076
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	167	2,060	2,227
Other	-	2,849	2,849
Retail credit cards – TL	10,239,329	97,678	10,337,007
With instalment	4,498,259	94,202	4,592,461
Without instalment	5,741,070	3,476	5,744,546
Retail credit cards – FC	14,405	-	14,405
With instalment	-	-	-
Without instalment	14,405	-	14,405
Personnel loans – TL	13,125	346,360	359,485
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	13,125	346,360	359,485
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	117,331	538	117,869
With instalment	46,234	522	46,756
Without instalment	71,097	16	71,113
Personnel credit cards – FC	134	-	134
With instalment	-	-	-
Without instalment	134	-	134
Overdraft Checking Accounts – TL (Real person)	4,462,555	-	4,462,555
Overdraft Checking Accounts – FC (Real person)	393	-	393
Total	16,042,783	90,251,876	106,294,659

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Prior Period - December 31, 2019	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	988,803	52,052,993	53,041,796
Housing loans	10,656	23,605,477	23,616,133
Automobile loans	9,031	406,726	415,757
General purpose loans	969,116	28,040,790	29,009,906
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	4,177	4,177
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,108	2,108
Other	-	2,069	2,069
Retail credit cards – TL	8,274,740	83,237	8,357,977
With instalment	3,547,519	78,731	3,626,250
Without instalment	4,727,221	4,506	4,731,727
Retail credit cards – FC	20,464	-	20,464
With instalment	-	-	-
Without instalment	20,464	-	20,464
Personnel loans – TL	15,222	204,352	219,574
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	15,222	204,352	219,574
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	103,355	245	103,600
With instalment	37,687	195	37,882
Without instalment	65,668	50	65,718
Personnel credit cards – FC	471	-	471
With instalment	-	-	-
Without instalment	471	-	471
Overdraft Checking Accounts – TL (Real person)	3,737,396	-	3,737,396
Overdraft Checking Accounts – FC (Real person)	307	-	307
Total	13,140,758	52,345,004	65,485,762

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Installment based commercial loans and corporate credit cards

Current Period - September 30, 2020	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,106,540	119,193,906	121,300,446
Real estate loans	4,045	1,162,729	1,166,774
Automobile loans	75,876	2,354,883	2,430,759
General purpose loans	2,026,619	115,676,294	117,702,913
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	537,759	537,759
Real estate loans	-	-	-
Automobile loans	-	30,364	30,364
General purpose loans	-	507,395	507,395
Other	-	-	-
Instalment-based commercial loans – FC	622,398	26,363,580	26,985,978
Real estate loans	-	-	-
Automobile loans	-	11,923	11,923
General purpose loans	221,954	22,342,658	22,564,612
Other	400,444	4,008,999	4,409,443
Corporate credit cards – TL	3,022,024	73,538	3,095,562
With instalment	1,087,861	67,578	1,155,439
Without instalment	1,934,163	5,960	1,940,123
Corporate credit cards – FC	2,714	-	2,714
With instalment	-	-	-
Without instalment	2,714	-	2,714
Overdraft Checking Accounts – TL (Corporate)	876,888	-	876,888
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	6,630,564	146,168,783	152,799,347

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Allocation of domestic and overseas loans^(*)

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Domestic loans	415,324,968	278,063,831
Foreign loans	4,656,464	4,153,254
Total	419,981,432	282,217,085

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

Loans to associates and subsidiaries

	Current Period – September 30, 2020	Prior Period- December 31, 2019
Direct loans to associates and subsidiaries	27	117
Indirect loans to associates and subsidiaries	-	-
Total	27	117

Specific provisions accounted for loans (Stage 3)

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Loans and receivables with limited collectability	109,593	1,601,851
Loans and receivables with doubtful collectability	1,041,469	1,849,517
Uncollectible loans and receivables	11,167,064	9,027,419
Total	12,318,126	12,478,787

Information on non-performing loans (Net)

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current period - September 30, 2020			
Gross Amounts Before The Reserves	107,470	269,983	953,256
Loans Which Are Restructured	107,470	269,983	953,256
Prior period - December 31, 2019			
Gross Amounts Before The Reserves	667,501	466,418	598,108
Loans Which Are Restructured	667,501	466,418	598,108

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - September 30, 2020			
Balance at the beginning of the period	3,203,134	3,492,946	11,016,436
Additions (+)	2,193,866	15,255	1,101,614
Transfers from other categories of loans under follow-up (+)	-	4,904,881	4,588,247
Transfers to other categories of loans under follow-up (-)	4,904,881	4,588,247	-
Collections (-) ^(*)	290,014	1,976,407	1,524,484
Write-offs (-) ^(**)	-	-	890,789
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	51,121
Balance at the end of the period	202,105	1,848,428	14,342,145
Provision (-)	109,593	1,041,469	11,167,064
Net balance	92,512	806,959	3,175,081

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

(**) As of 30 September 2020, the Parent Bank has written-off loans and provisions for these loans, which were classified in the “Group V Loans” (Loans Classified as Loss) amounting to TL 890,789, unsecured, do not have reasonable expectations for recovery and with %100 provision, in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA. Following the written-off loans, the Parent Bank's non-performing loan ratio decreased from 3.93% to 3.73%.

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - September 30, 2020			
Balance at the end of the period	100,675	258,304	3,322,076
Provision (-)	46,297	147,249	2,434,358
Net balance on balance sheet	54,378	111,055	887,718
Prior Period - December 31, 2019			
Balance at the end of the period	1,380,333	1,446,485	1,438,214
Specific provision (-)	697,528	736,988	1,147,063
Net balance on balance sheet	682,805	709,497	291,151

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - September 30, 2020			
Current Period (Net)	92,512	806,959	3,175,081
Consumer and Commercial Loans (Gross)	200,712	1,846,629	14,320,098
Specific Provision (-)	108,202	1,039,674	11,145,035
Consumer and Commercial Loans (Net)	92,510	806,955	3,175,063
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	1,393	1,799	22,047
Specific Provision (-)	1,391	1,795	22,029
Other Loans and Receivables (Net)	2	4	18

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net) - September 30, 2020			
Interest accruals and valuation differences	12,408	202,337	1,594,653
Provision (-)	7,188	113,633	948,996
Prior Period (Net) - December 31, 2019			
Interest accruals and valuation differences	269,253	304,122	747,230
Provision (-)	134,980	163,251	502,001

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

	Current Period – September 30, 2020		Prior Period – December 31, 2019	
	TL	FC	TL	FC
Government bonds	43,272,118	8,637,759	34,945,546	7,498,362
Treasury bills	-	-	-	-
Other securities issued by the governments	-	5,851,698	-	4,202,218
Total	43,272,118	14,489,457	34,945,546	11,700,580

Information on financial assets measured at amortized cost

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Debt Securities	58,014,456	47,014,633
<i>Quoted at stock exchanges</i>	57,859,248	46,895,460
<i>Unquoted at stock exchanges</i>	155,208	119,173
Impairment losses (-)	-	-
Total	58,014,456	47,014,633

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The movement table of the financial assets measured at amortised cost

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Balances at the beginning of the period	47,014,633	39,980,510
Foreign currency differences on monetary assets	3,678,598	950,424
Purchases during the period	10,987,874	6,514,751
Disposals through sales/redemptions	(4,824,545)	(1,664,238)
Change in Impairment losses	-	-
Change in amortized costs of the securities ^(*)	1,157,896	1,233,186
Balances at the end of the period	58,014,456	47,014,633

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

Information on accounts related to financial assets measured at amortized cost

	Cost		Carrying Value	
	TL	FC	TL	FC
Current Period - September 30, 2020				
Collateralized/blocked investment securities	4,344,599	7,397,177	6,284,669	7,804,779
Investments subject to repurchase agreements	14,960,780	5,985,206	19,021,978	6,061,103
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other ^(*)	15,841,637	803,661	18,024,356	817,571
Total	35,147,016	14,186,044	43,331,003	14,683,453

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

	Cost		Carrying Value	
	TL	FC	TL	FC
Prior Period - December 31, 2019				
Collateralized/blocked investment securities	2,312,391	5,749,919	3,012,289	5,900,181
Investments subject to repurchase agreements	13,015,467	4,131,685	17,082,806	4,202,218
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other ^(*)	12,407,756	1,873,915	14,909,319	1,907,820
Total	27,735,614	11,755,519	35,004,414	12,010,219

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ ^(*)	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ ^(*)	İstanbul/ Turkey	4.75	4.75
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	1.49	1.49
8 Türkiye Ürün İhtisas Borsası AŞ	Ankara/ Turkey	3.00	3.00
9 Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ	İstanbul/ Turkey	33.33	33.33
10 JCR Avrasya Derecelendirme AŞ ^(*)	İstanbul/ Turkey	2.86	2.86
11 Birleşik İpotek Finansmanı AŞ ^(*)	İstanbul/ Turkey	8.33	8.33
12 Keskinoğlu Tavukçuluk ve Damızlık İşletmeleri San. Tic. AŞ	Manisa/ Turkey	41.77	41.77
13 Tasfiye Halinde World Vakıf UBB Ltd. ^(**)	Lefkoşa/KKTC	82.00	82.59

(*)The financial statement information provided for these associates is taken from the financial statements dated June 30, 2020.

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	8,250,122	2,261,135	1,316,704	8,661	-	313,773	52,038	6,601,813
2	247,600	201,657	72,477	2,372	-	19,616	17,418	-
3	377,846	250,947	249,368	3,421	-	33,800	16,401	-
4	148,675	(117,125)	88,099	1	-	(14,211)	(16,451)	-
5	150,853	(183,191)	75,942	-	-	(48,284)	(24,956)	-
6	22,110,322	2,256,394	156,040	169,492	40,323	233,081	343,969	-
7	1,251,576	732,347	20,968	15,768	-	108,496	74,723	-
8	75,153	71,491	2,806	3,865	-	13,078	3,511	-
9	82,474	49,867	17,344	1,497	-	1,852	12,627	-
10	30,686	24,535	22,978	252	-	(483)	803	-
11	10,159	10,159	30	192	-	159	-	-
12	120,953	(1,427,655)	166,112	705	-	(339,200)	(172,237)	-
13	1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

In the current period, company's name, "Bileşim Alternatif Dağıtım Kanalları AŞ", has been changed to "Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ" and it was registered in the trade registry on 5 August 2020.

In the current period, it was decided to increase the capital of the Company from TL 30,000 to TL 177,493 at the Ordinary General Assembly meeting of Bankalararası Kart Merkezi AŞ., one of the Bank affiliates, on April 30, 2020. The Company met TL 56,950 of TL 147,493 from internal resources; For the part of TL 90,543, it was decided to cover by the CBRT without using the shareholders' pre-emptive rights. The bonus share amounting to TL 5,522, which corresponds to the Parent Bank share, is shown in Bonus Shares in the transaction table of subsidiaries. The nominal share of the Parent Bank in the company capital has increased from TL 2,909 to TL 8,431, and its share has decreased from 9.70% to 4.75%.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the current period, one of the Bank's subsidiaries, Türkiye Ürün İhtisas Borsası AŞ's Ordinary General Meeting held on March 2, 2020, it was decided to reduce the company's charter capital in the amount of TL 100,000 to TL 50,000. The company's capital of TL 50,000 was fully paid in cash, and it was registered on May 29, 2020, and transactions regarding capital reduction were completed. The nominal share of the bank decreased from TL 3,000 to TL 1,500 and the share ratio remained the same (3%). As of the current period, the remaining capital debt has been paid.

In the current period, PTT AŞ joined the Platform Ortak Kartlı Sistemler A.Ş. on June 3, 2020. Due to the transfer of the Parent Bank's nominal capital share amounting to TL 1,400 to PTT A.Ş., the nominal capital share has decreased from TL 5,600 to TL 4,200. In addition, the Bank sold TL 350 shares from its paid-in capital share of TL 1,400, and the share amount of the Bank decreased from TL 1,400 to TL 1,050, and its share ratio decreased from 26.67% to 20.00%. The Parent Bank has a TL 3,150 capital commitment to the Company.

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

In the prior period, the Parent Bank participated in Platform Ortak Kartlı Sistemler AŞ, which was established with a capital of TL 21,000. The nominal share of the Parent Bank in the Company is TL 7,000 and its share rate is 33.33%. The Parent Bank is required to pay one quarter of its shares in cash and the remaining three quarters within 24 months of the Company's registration. Transactions regarding the establishment of the Company were registered in the trade registry on 23 September 2019. The Parent Bank paid one quarter of its share and shares amounting to TL 1,750 are presented under Purchases in the movement table of investments in associates.

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ , Platform Ortak Kartlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası AŞ, Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, Birleşik İpotek Finansmanı AŞ and JCR Avrasya Derecelendirme AŞ and Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri San. Tic. AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements in accordance with TFRS 9.

Consolidated investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	1,587,894	108,506	7,590	87,870	2,653	15,661	907	-
2	53,499,742	5,709,516	1,201,226	1,902,565	593,875	528,164	573,676	3,081,874

Movement of consolidated investments in associates

	Current Period – September 30, 2020	Prior Period - December 31, 2019
Balance at the beginning of the period	297,263	196,867
Movements during the period	(28,383)	100,396
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	-
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	-	100,396
Impairment losses	(28,383)	-
Balance at the end of the period	268,880	297,263
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

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

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

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

Sectoral distribution of consolidated investments and associates

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Banks	268,880	297,263
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	268,880	297,263

Quoted associates

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Quoted at domestic stock exchanges	258,261	286,644
Quoted at international stock exchanges	-	-
Total	258,261	286,644

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 Parent Bank has become a shareholder of Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri Sanayi Ticaret AŞ with a 41.77% share on September 3, 2020.

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

In the current period, the Parent Bank has become a partner to Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, in 7 February 2020, by the agreement signed with the Türkiye Halk Bankası A.Ş to transfer nominal shares of TL 8,666 and which corresponds to 33.33% share ratio. The Parent Bank's share is TL 27.997.

In the current period, the Parent Bank became a partner of JCR Avrasya Derecelendirme AŞ. with a capital of TL 1,000 on January 17, 2020. The nominal share in the capital is TL 29 and the share ratio is 2.86%. The Parent Bank's share in the capital will be paid in two installments. 3/4 of the amount hitting the Parent Bank's share has been paid in cash, and the remaining 1/4 must be paid within six months of the first installment closing date. The Parent Bank has paid JCR Avrasya Rating A.Ş. the second remaining installment of the capital it has undertaken as of 30 June 2020.

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Current Period - September 30, 2020						
Paid in Capital	311,248	200,000	100,000	250,000	460,000	30,000
Share Premium	-	9,042	137	-	300,577	121
Equity share premiums	-	-	-	-	278,978	28
Share cancellation profits	-	-	-	-	-	-
Other capital reserves	-	9,042	137	-	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	23,930	(211)	2,388	16	(19)
Other accumulated comprehensive income that will be reclassified in profit or loss	1,165,987	-	11,637	-	-	-
Profit Reserves	17,882	54,290	23,089	120,688	130,828	408
Legal Reserves	17,882	11,317	10,390	18,286	9,056	395
Statutory reserves	-	-	-	-	-	-
Extraordinary Reserves	-	42,973	12,699	102,402	121,225	13
Other Profit Reserves	-	-	-	-	547	-
Profit/Loss	31,193	(21,491)	226,676	47,212	52,035	(2,390)
<i>Prior Period's Profit/Loss</i>	42,062	(57,263)	124,550	(18,796)	10,351	(1,737)
<i>Current Period's Profit/Loss</i>	(10,869)	35,772	102,126	66,008	41,684	(653)
Minority Rights	-	-	-	-	-	-
Total Core Capital	1,526,310	265,771	361,328	420,288	943,456	28,120
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-
CAPITAL	1,526,310	265,771	361,328	420,288	943,456	28,120
NET AVAILABLE EQUITY	1,526,310	265,771	361,328	420,288	943,456	28,120

Reviewed BRSA financial statements as of September 30, 2020 are considered.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Reviewed BRSA financial statements as of December 31, 2019 are considered.

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 INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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” (Series: V, No: 34) of Capital Markets Board as six months periods. According to the calculations at September 30, 2020, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ	Ankara/Turkey	65.50	80.48
2 Taksim Otelcilik AŞ	İstanbul/ Turkey	51.00	51.00
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ	İstanbul/ Turkey	86.97	88.89
4 Vakıf Gayrimenkul Değerleme AŞ	İstanbul/ Turkey	97.14	97.14

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	338,889	224,979	245,125	4,325	-	(3,823)	854	25,743
2	416,980	402,663	198,585	11,547	-	11,787	22,686	453,745
3	85,177	63,950	39,572	2,228	1,151	1,396	6,067	59,392
4	45,625	37,323	583	2,276	77	(1,913)	(2,637)	39,744

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Investments in consolidated subsidiaries

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	80.62
2 Vakıf Finansal Kiralama AŞ	İstanbul/ Turkey	58.71	58.71
3 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/ Turkey	99.25	99.40
4 VakıfBank International AG	Vienna/Austria	100.00	100.00
5 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/ Turkey	17.37	17.37
6 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/ Turkey	45.71	45.71

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,459,113	448,376	2,415	236,456	-	75,300	102,561	279,386
2	3,767,577	333,921	24,813	199,917	-	50,612	15,915	823,231
3	1,548,258	361,828	38,991	10	5,158	127,087	26,186	293,992
4	8,066,059	1,459,834	1,633	118,994	-	34,831	30,653	736,703
5	28,460	28,111	216	1,025	574	(653)	936	253,590
6	2,403,503	1,371,372	1,103,438	16,655	-	45,470	(267)	1,793,540

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period – September 30, 2020	Prior Period - December 31, 2019
Balance at the beginning of the period	1,477,248	2,129,732
Movements during the period	1,117,527	(652,484)
Transfers ^(*)	-	(1,547,479)
Acquisitions	207,561	179,827
Bonus shares received	102,205	384,233
Share of current year profit	-	(42,881)
Sales and liquidations	-	(1,342)
Fair value changes	862,389	558,189
Impairment losses	(54,628)	(183,031)
Balance at the end of the period	2,594,775	1,477,248
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

In the current period, it has been decided to increase the capital of Vakıf Faktoring AŞ from TL 170,000 to TL 250,000. The bonus shares amounting to TL 62,714 corresponding to the share of the Bank are shown under Bonus Shares Received in the Movement Table of Investments in Subsidiaries. The nominal share of the Bank in the capital of the company increased from TL 133,268 to TL 195,982, and the share ratio remained the same (78.39%).

In the current period, the capital of “Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ” was increased from TL 20,000 to TL 30,000. After the addition 3,314 VKFYO shares, the Bank's pre-emptive right was fully exercised for TL 3,473 nominal share in the company's capital. The shares amounting to TL 1,737 corresponding to the share of the bank are shown under Acquisitions in the Movement Table of Investments in Subsidiaries. The nominal share of the Bank in the capital of the company increased from TL 3,473 to TL 5,210, and its share ratio remained the same (17.37%).

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 INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the current period, it has been decided to increase the capital of Vakıf Yatırım Menkul Değerler AŞ from TL 75,000 to TL 100,000. Bonus shares amounting to TL 24,813 corresponding to the share of the Bank are shown under Bonus Shares Received in the Movement Table of Investments in Subsidiaries. The nominal share of the Bank in the capital of the company increased from TL 74,437 to TL 99,250, and its share ratio remained the same (99.25%).

In the current period, it has been decided to increase the capital of Vakıf Finansal Kiralama AŞ from TL 175,000 to TL 200,000. Bonus shares amounting to TL 14,678 corresponding to the share of the Bank are included under Bonus Shares Received in the Movement Table of Investments in Subsidiaries. The nominal share of the Bank in the capital of the company increased from TL 102,746 to TL 117,424, while its share ratio remained the same (58.71%).

In the current period, the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, which was TL 230,000 within the registered capital ceiling of TL 460,000, was increased to TL 460,000 with an increase of TL 230,000. In this context, the Parent Bank's pre-emptive right was fully exercised in the Company's capital increase and the Parent Bank's current nominal share reached TL 89,016. In addition, TL 15,275 has been paid for pre-emptive rights in return for 8,229,723 shares and TL 44,450 has been paid through the demand collection method in return for 24,027,174 shares. Total shares amounting to TL 148,741 are presented under Purchases in the movement table of subsidiaries. Thus, the nominal share of the Parent Bank in Vakıf Gayrimenkul Yatırım Ortaklığı AŞ increased from TL 89,016 to TL 210,289 and its share ratio increased from 38.70% to 45.71%.

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

In the prior period, Vakıf Emeklilik ve Hayat AŞ, which was classified in the subsidiary account and excluded from the full consolidation of the Parent Bank, has been decided to be removed from the subsidiaries and the TL 874,650 share corresponding to the share of the Parent Bank is shown in Transfers in the movement table of consolidated investments in subsidiaries in consolidated financial statements.

In the prior period, Güneş Sigorta AŞ, which is in the subsidiary account and excluded from the full consolidation of the Parent Bank, has been decided to be removed from the subsidiaries and the TL 672,829 share corresponding to the share of the Parent Bank is shown in the movement table of consolidated investments in subsidiaries in consolidated financial statements.

In the prior period, it was decided to sell 1,556,292 shares of Güneş Sigorta AŞ traded in the BİAŞ share market. The share of TL 1,122 that the bank sold was shown under Sales in the movement table of consolidated investments in subsidiaries in consolidated financial statements. After the transaction, the nominal share of the Parent Bank in Güneş Sigorta AŞ has decreased from TL 304,496 to TL 302,940 and share ratio has decreased from 56.39% to 56.10%.

In the prior period, the paid-in capital of Güneş Sigorta AŞ, which was TL 270,000 within the registered capital ceiling of TL 540,000, was increased to TL 540,000 with an increase of TL 270,000. In this context, The Parent Bank's pre-emptive right was fully exercised in the Company's capital increase and The Parent Bank's current nominal share reached TL 129,643. In addition, TL 50,183 has been paid for pre-emptive rights (shares offered to public in the BIAS stock market) which are not exercised by other shareholders against nominal 45.210.297 shares purchased from the prices formed in the BIST Primary Market. Total shares amounting to TL 179,826 are presented under Purchases in the movement table of subsidiaries.

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Measured at cost	-	-
Measured at fair value (*)	2,594,775	1,477,248
Equity method of accounting	-	-
Total	2,594,775	1,477,248

(*) Valuation amounts of 31 December 2019 have been taken for the unquoted subsidiaries.

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period – September 30, 2020	Prior Period- December 31, 2019
Banks	736,703	486,740
Factoring companies	219,011	219,011
Leasing companies	483,319	249,776
Financing companies	-	-
Other financial subsidiaries	1,155,742	521,721
Total	2,594,775	1,477,248

Quoted consolidated subsidiaries

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Quoted at domestic stock exchanges	1,347,274	479,711
Quoted at international stock exchanges	-	-
Total	1,347,274	479,711

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Consolidated subsidiaries disposed during the period

In the current period all Güneş Sigorta AŞ 51.10% shares, which was owned by the Parent Bank and accounted Non-current Assets Held for Sale – Subsidiaries, were transferred to TVF Finansal Yatırımlar AŞ as of 22 April 2020. The Parent Bank has no remaining shares in Güneş Sigorta AŞ.

In the current period all Vakıf Emeklilik AŞ 53.90% shares, which was owned by the Parent Bank and accounted Non-current Assets Held for Sale – Subsidiaries, were transferred to TVF Finansal Yatırımlar AŞ as of 22 April 2020. The Parent bank has no remaining shares in Vakıf Emeklilik AŞ.

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

Investments in subsidiaries acquired during the period

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

9. Investments in joint-ventures

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

	Current Period - September 30, 2020		Prior Period - December 31, 2019	
	Gross	Net	Gross	Net
Less than 1 year	949,264	833,221	777,828	706,300
Between 1-4 years	2,578,404	2,214,490	2,070,301	1,766,622
Longer than 4 years	509,025	389,104	399,625	301,194
Total	4,036,693	3,436,815	3,247,754	2,774,116

Net investments in finance lease receivables

	Current Period - September 30, 2020	Prior Period – December 31, 2019
Gross finance lease receivables	4,036,693	3,247,754
Unearned income on finance lease receivables (-)	599,878	473,638
Terminated lease contracts (-)	-	-
Net finance lease receivables	3,436,815	2,774,116

Finance lease agreements

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

12. Information on investment properties

As of September 30, 2020, there are investment properties with a net balance sheet value of TL 678,221 (31 December 2019: TL 608,990) and a fair value of TL 1,088,077 (31 December 2019: TL 1,018,635), belonging to the Parent Bank’s subsidiary operating in the real estate investment trust.

13. Information on tax assets

a) Current tax assets

As at September 30, 2020 the current tax asset of the Group amounts to TL 306,677. (December 31, 2019: None).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at September 30, 2020 and December 31, 2019:

	Current Period - September 30, 2020	Prior Period – December 31, 2019
Provision for employee termination benefits and unused vacations	156,193	143,171
Other provisions	16,547	14,034
Valuation differences of associates and subsidiaries	77,944	46,014
Deductible financial losses	-	-
Investment incentives	3,601	4,345
Valuation differences of financial assets and liabilities	312,228	431,120
Reporting Standards - Tax Code depreciation differences	-	49
Provision (General Provision)	1,654,169	728,369
Other differences	31,819	34,994
Deferred tax assets	2,252,501	1,402,096
Net-off of the deferred tax assets and liabilities from the same entity	(1,251,389)	(600,480)
Deferred tax assets, (net)	1,001,112	801,616
Valuation differences of financial assets and liabilities	1,043,210	460,570
Valuation difference for associates and subsidiaries	90,433	62,343
Valuation differences of properties	73,575	74,679
Other differences	86,300	34,878
Deferred tax liabilities	1,293,518	632,470
Net-off of the deferred tax assets and liabilities from the same entity	(1,251,389)	(600,480)
Deferred tax liabilities, (net)	42,129	31,990

As at September 30, 2020 and December 31, 2019, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period - September 30, 2020	Prior Period - December 31, 2019
As of January 1	769,626	157,247
Deferred tax income/(loss)	90,893	882,613
Deferred tax that is accounted under Equity	111,377	(95,884)
Other	(12,913)	(174,350)
Deferred tax asset/(Liability)	958,983	769,626

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of September 30, 2020, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 1,308,078 (December 31, 2019: TL 3,125,112), and the provision for impairment is TL 7,587 (December 31, 2019: TL 12,981). The amount of other assets held for sales and discontinued operations is TL 3 (31 December 2019: None.)

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

On April 22, 2020, a share transfer agreement was signed between TVF Financial Investments as the buyer and the Parent Bank as the seller, in order to transfer the Parent Banks shares which represent 51.1% of Güneş Sigorta AŞ's capital and 53.9% of Vakıf Emeklilik ve Hayat AŞ's capital to TVF Financial Investments AŞ ("TVF Financial Investments") and the share transfers were completed as of the same date, and the mentioned companies were excluded from the Parent Bank's Non-Currents Assets or Disposal Groups "Held For Sale" and "From Discontinued Operations (Net)". Accordingly, the price to be paid to the Parent Bank for Güneş Sigorta AŞ shares is determined as TL 2.22 per share, and the total sales price is TL 612,586. The sales price has been totally paid with a special issue government bond. The amount to be paid to the Parent Bank for Vakıf Emeklilik ve Hayat AŞ shares is determined as TL 0.0896 per share, and the total sales price is TL 724,584. The sales price has been totally paid with a special issue government bonds.

Elimination adjusted income and expense figures which has been occurred until the aforementioned sales transaction were booked in the income statement and TL 804,835 consolidated net sales profit has been booked in other operating income

15. Information on other asset

As at September 30, 2020 and December 31, 2019, the details of other assets are as follows

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Receivables from credit card payments	2,451,118	1,695,301
Prepaid expenses	1,793,234	969,046
Guarantees given for repurchase agreements	372,049	9,922
Guarantees given for derivative financial instruments	11,703,970	7,996,486
Receivables from term sale of assets	521,298	112,364
Other	3,300,736	2,174,612
Total	20,142,405	12,957,731

16. Information on expected loss provisions for financial assets

	Current Period – September 30, 2020	Prior Period - December 31, 2019
Balances with the Central Bank	437	374
Banks	3,088	8,992
Total	3,525	9,366
Financial Assets Measured at Amortized Cost	6,688	5,054
Total	10,213	14,420

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period September 30, 2020	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	12,157,591	-	11,557,130	45,338,238	1,632,181	417,688	549,879	8,855	71,661,562
Foreign currency deposits	24,709,084	-	22,057,585	90,404,439	5,631,632	2,997,586	10,934,818	-	156,735,144
Residents in Turkey	22,365,348	-	21,610,556	87,173,322	4,405,627	1,436,181	2,577,490	-	139,568,524
Residents in abroad	2,343,736	-	447,029	3,231,117	1,226,005	1,561,405	8,357,328	-	17,166,620
Public sector deposits	10,048,331	-	30,215,998	7,115,666	937,949	468,913	35,285	-	48,822,142
Commercial deposits	6,655,188	-	21,112,209	32,494,379	737,946	694,456	240,808	-	61,934,986
Other	8,592,143	-	2,626,242	17,079,604	1,060,033	122,954	594,927	-	30,075,903
Precious metal deposits	15,067,605	-	-	18,954	-	1,205,199	150,252	-	16,442,010
Bank deposits	1,383,487	-	4,827,943	6,295,626	96,276	31,095	197,205	-	12,831,632
Central Bank	2,369	-	-	-	-	-	-	-	2,369
Domestic banks	690,433	-	4,587,586	229,202	96,276	-	-	-	5,603,497
Foreign banks	321,035	-	240,357	6,066,424	-	31,095	197,205	-	6,856,116
Participation banks	369,650	-	-	-	-	-	-	-	369,650
Other	-	-	-	-	-	-	-	-	-
Total	78,613,429	-	92,397,107	198,746,906	10,096,017	5,937,891	12,703,174	8,855	398,503,379

Prior Period December 31, 2019	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	8,578,245	-	8,388,452	37,058,056	2,528,253	276,512	1,890,243	8,620	58,728,381
Foreign currency deposits	16,360,802	-	15,556,129	51,474,306	5,465,027	2,008,675	9,327,716	-	100,192,655
Residents in Turkey	14,648,196	-	15,260,688	49,173,582	4,631,421	978,319	2,235,416	-	86,927,622
Residents in abroad	1,712,606	-	295,441	2,300,724	833,606	1,030,356	7,092,300	-	13,265,033
Public sector deposits	8,186,969	-	6,028,510	6,735,622	2,793,367	485,159	29,121	-	24,258,748
Commercial deposits	4,424,128	-	13,308,954	13,946,826	1,767,183	482,234	316,449	-	34,245,774
Other	7,545,083	-	1,391,353	7,096,658	3,183,311	379,849	690,573	-	20,286,827
Precious metal deposits	5,596,470	-	-	13,780	-	243,446	49,413	-	5,903,109
Bank deposits	651,040	-	4,541,612	4,525,538	455,074	174,319	167,671	-	10,515,254
Central Bank	661	-	-	-	-	-	-	-	661
Domestic banks	299,302	-	4,234,529	619,030	321,218	12,880	-	-	5,486,959
Foreign banks	104,192	-	307,083	3,906,508	133,856	161,439	167,671	-	4,780,749
Participation banks	246,885	-	-	-	-	-	-	-	246,885
Other	-	-	-	-	-	-	-	-	-
Total	51,342,737	-	49,215,010	120,850,786	16,192,215	4,050,194	12,471,186	8,620	254,130,748

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

	Current Period – September 30, 2020		Prior Period – December 31, 2019	
	Covered by the Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by the Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	38,461,953	33,199,609	33,649,429	25,078,952
Foreign currency saving deposits	23,725,447	54,673,230	16,583,167	33,677,608
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	62,187,400	87,872,839	50,232,596	58,756,560

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Saving deposits out of insurance coverage limits

	Current Period - September 30, 2020	Prior Period - December 31, 2019
Deposits and other accounts at foreign branches	74,236	62,900
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	11,110	10,395
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

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

	Current Period- September 30, 2020		Prior Period- December 31, 2019	
	TL	FC	TL	FC
Forwards	169,249	21,403	57,018	1,379
Swaps	3,069,538	2,709,220	2,168,868	1,081,874
Futures	-	-	-	-
Options	-	3,066	213	2,645
Other	-	-	-	-
Total	3,238,787	2,733,689	2,226,099	1,085,898

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period – September 30, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	70,400	1,299,462	-	988,160
Domestic banks and institutions	1,522,684	8,402,764	1,490,651	5,266,568
Foreign banks, institutions and funds	586,569	40,434,085	796,115	36,522,190
Total	2,179,653	50,136,311	2,286,766	42,776,918

b) Maturity information of funds borrowed

	Current Period – September 30, 2020		Prior Period – December 31, 2019	
	TL	FC	TL	FC
Short-term ^(*)	1,328,035	3,452,574	1,279,849	4,485,291
Medium and Long-term ^(*)	851,618	46,683,737	1,006,917	38,291,627
Total	2,179,653	50,136,311	2,286,766	42,776,918

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

Funds borrowed comprise syndication and securitization loans which obtained from different financial institutions, with different characteristics and maturity-interest structures. As of the current period, 8.64% (31 December 2019: 11.28%) of the Group's non-capital liabilities consists of funds borrowed. There is no risk of concentration in the fund sources of the Group.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Syndicated Loans Received

Beginning From	Maturity (Days)	Currency	Amount (Millions)	Interest rate	Coordinator Bank	Agent Bank
26 November 2019	367	USD	239.5	Libor+%2.25	The Commercial Bank (P.S.Q.C.) Emirates NBD Bank (P.J.S.C)	Emirates NBD Bank (P.J.S.C)
	367	EUR	309,3	Euribor+%2.10	The Commercial Bank (P.S.Q.C.) Emirates NBD Bank (P.J.S.C)	Emirates NBD Bank (P.J.S.C)
4 May 2020	367	USD	312	Libor+%2.25	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C)	Mizuho Bank, LTD.
	367	EUR	589,5	Euribor+%2.00	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C)	Mizuho Bank, LTD.

Syndicated Loans Received

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

As of September 30, 2020, the total securitization balance is equivalent of USD 1,247 million and EUR 187 million (31 December 2019: USD 1,453 million and EUR 227 million).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on securities issued

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

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

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

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

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

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

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

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

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

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

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Current Period - September 30, 2020				
Nominal	6,635,833	5,180,500	1,637,753	27,925,172
Cost	6,415,460	5,180,500	1,636,351	27,798,861
Net Book Value	6,526,372	5,438,828	1,640,572	28,175,805
Prior Period - December 31, 2019				
Nominal	6,552,704	5,182,186	-	17,233,590
Cost	6,380,114	5,182,186	-	17,160,519
Net Book Value	6,494,825	5,297,752	-	17,455,479

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Obligations under finance leases

	Current Period – September 30, 2020		Prior Period- December 31, 2019	
	Gross	Net	Gross	Net
Under 1 year	33,486	32,090	20,932	19,639
1-4 Years	336,145	288,972	465,352	374,544
Over 4 years	996,325	672,867	947,841	541,755
Total	1,365,956	993,929	1,434,125	935,938

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

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

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

None.

7. Information on provisions

Information on employee rights

The Bank calculates provisions and recognizes its liabilities regarding severance pay and leave rights in accordance with the TAS 19-Employee Benefits Standard.

As of September 30, 2020, TL 706,382 (31 December 2019: TL 608,319) provision for severance pay and TL 80,709 (31 December 2019: TL 107,214) provision for vacation pay has been reserved, and it is shown in the item of reserves for employee benefits in the financial statements.

Provision for currency exchange loss on foreign currency indexed loans

	Current Period - September 30, 2020	Prior Period - December 31, 2019
Provision for Foreign Exchange Indexed Loans	-	546

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

As of September 30, 2020 the Parent Bank has recorded TL 61,639 (December 31, 2019: TL 57,760) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

The amount of free provisions in the accompanying consolidated financial statements as at September 30, 2020 is TL 852,000. (December 31, 2019: TL 852,000).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Taxation

Current Taxes

As at and for the nine-month period ended September 30, 2020, the tax liability of the Group is amounting to TL 29,111 (December 31, 2019: TL 586,727).

Information on taxes payable

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Corporate taxes payable	29,111	586,727
Taxation on securities	301,117	257,672
Capital gains tax on property	1,790	3,515
Taxes on foreign exchange transactions	31,503	4,428
Banking and Insurance Transaction Tax (BITT)	144,120	202,056
Value added tax payable	5,581	13,276
Other	44,282	68,391
Total	557,504	1,136,065

Information on premiums payable

	Current Period - September 30, 2020	Prior Period - December 31, 2019
Social security premiums- employee share	584	518
Social security premiums- employer share	498	494
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	24	22
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,515	1,639
Unemployment insurance- employer share	3,013	3,253
Other	-	-
Total	5,634	5,926

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 13 of information and disclosures related to assets.

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

None. (December 31, 2019: TL 5,372,200)

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 USD 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 USD 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Parent Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of USD 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%. The Parent Bank used the early redemption option for this bond and received BRSA approval on 9 December 2019. An investor notification was made on 23 December 2019, and the bond was repaid on 3 February 2020 and the recall was completed.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Parent Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 227.6 million which issued abroad, with the new Basel III compliant conditions, was completed on February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

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

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

On April 24, 2019, in the scope of GMTN Program, the Parent Bank issued bonds amounting to EUR 700 million with additional Tier 1 capital requirements. In this context; Turkey Wealth Funds within the Market Stability and Balance Fund investors that allocated to bonds that have performed in the form of sales indefinite term, 5 years at the end of the qualities that can be redeemed early, fixed-rate and annual coupon payments has been included in additional Tier 1 capital in the nominal value of the voucher. The ratio is determined as 5.076%.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Total balance sheet value of the bonds is TL 19,569,178 as of September 30, 2020 (December 31, 2019: TL 19,245,453).

	Current Period- September 30, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation	4,993,575	6,512,454	5,139,810	4,839,684
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	4,993,575	6,512,454	5,139,810	4,839,684
Debt instruments to be included in the additional capital calculation	1,255,293	6,807,856	1,255,067	8,010,892
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,255,293	6,807,856	1,255,067	8,010,892
Total	6,248,868	13,320,310	6,394,877	12,850,576

11. Information on shareholders’ equity

Paid-in capital

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Common stock	3,905,622	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 3,905,622 is divided into groups comprised of 27.52% Group (A), 10.00 % Group (B), 10.35% Group (C) and 52.13% Group (D).

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

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	3,905,622	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

Date of Increase	Amount of Increase	Cash	Profit Reserves Subject to Increase	Share Premium Subject to Increase
09 June 2020	1,405,622	1,405,622	-	-

The Parent Bank increased its paid-in capital from TL 2,500,000 to TL 3,905,622, provided that it is within the registered capital ceiling, based on the decision taken at the Board of Directors meeting dated 11 May 2020. Accordingly, the amendment made in the related article of the Articles of Association was registered on 09 June 2020.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on share capital increases 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 - September 30, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	722,267	-	763,262	-
Financial assets at fair value through other comprehensive income	288,518	193,724	561,571	318,216
Total	1,010,785	193,724	1,324,833	318,216

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

1. Disclosures related to off-balance sheet commitments

Type and amount of consolidated irrevocable commitments

	Current Period – September 30, 2020	Prior Period - December 31, 2019
Commitments for credit card limits	20,651,329	17,293,741
Loan granting commitments	24,390,851	18,079,079
Commitments for cheque payments	5,344,163	3,528,150
Asset purchase sale commitments	1,629,146	7,968,985
Other	3,850,226	2,250,430
Total	55,865,715	49,120,385

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

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

The Parent Bank provided specific provision amounting to TL 694,874 (December 31, 2019: TL 689,503) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 61,639 (December 31, 2019: TL 57,760).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Final letters of guarantee	25,015,268	20,929,135
Letters of guarantee for advances	6,838,948	5,608,940
Letters of guarantee given to custom offices	1,973,532	1,322,033
Provisional letters of guarantee	1,721,503	1,366,139
Other letters of guarantee	35,692,752	29,777,819
Total	71,242,003	59,004,066

2. Non-cash loans

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Non-cash loans given for cash loan risks	23,613,376	17,026,869
<i>With original maturity of 1 year or less</i>	4,631,137	6,070,706
<i>With original maturity of more than 1 year</i>	18,982,239	10,956,163
Other non-cash loans	72,231,745	61,253,448
Total	95,845,121	78,280,317

3. Sectoral risk concentrations of non-cash loans

	Current Period - September 30, 2020				Prior Period - December 31, 2019			
	TL	%	FC	%	TL	%	FC	%
Agricultural	81,717	0.20	285,732	0.51	56,955	0.15	253,240	0.62
Farming and Cattle	76,300	0.19	234,903	0.42	52,735	0.14	231,174	0.57
Forestry	4,331	0.01	-	-	4,190	0.01	-	-
Fishing	1,086	-	50,829	0.09	30	-	22,066	0.05
Manufacturing	12,852,100	31.75	29,572,328	53.41	11,788,946	30.97	20,327,094	50.55
Mining	335,990	0.83	459,604	0.83	236,923	0.62	165,044	0.41
Production	7,847,951	19.39	26,498,871	47.86	7,030,835	18.47	19,172,563	47.68
Electric, gas and water	4,668,159	11.53	2,613,853	4.72	4,521,188	11.88	989,487	2.46
Construction	9,055,378	22.37	8,953,959	16.17	7,620,745	20.02	5,912,307	14.70
Services	17,087,024	42.23	14,292,881	25.82	17,217,616	45.23	10,490,645	26.09
Wholesale and retail trade	6,961,914	17.20	8,102,082	14.63	6,037,803	15.86	6,341,737	15.77
Hotel, food and beverage Services	380,085	0.94	820,064	1.48	314,844	0.83	412,217	1.03
Transportation and telecommunication	3,296,679	8.15	3,853,630	6.96	2,804,464	7.37	2,178,819	5.42
Financial institutions	3,215,864	7.95	208,757	0.38	4,702,677	12.35	174,578	0.43
Real estate and renting Services	1,010,555	2.50	866,684	1.57	1,139,197	2.99	465,306	1.16
Self-employment services	1,923,151	4.75	425,886	0.77	1,962,573	5.16	321,924	0.80
Education services	66,208	0.16	3,254	0.01	56,442	0.15	4,464	0.01
Health and social services	232,568	0.58	12,524	0.02	199,616	0.52	591,600	1.47
Other	1,397,062	3.45	2,266,940	4.09	1,385,664	3.64	3,227,105	8.04
Total	40,473,281	100.00	55,371,840	100.00	38,069,926	100.00	40,210,391	100.00

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group I		Group II	
	TL	FC	TL	FC
Current Period - September 30, 2020				
Letters of guarantee	37,958,961	30,078,339	1,458,915	1,063,936
Confirmed bills of exchange and acceptances	4,258	5,234,046	-	-
Letters of credit	272,283	17,890,983	-	141,005
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	251,991	294,212	-	-
Other guarantees and sureties	277,814	223,504	-	-
Non-Cash Loans	38,765,307	53,721,084	1,458,915	1,204,941

	Group I		Group II	
	TL	FC	TL	FC
Prior Period - December 31, 2019				
Letters of guarantee	35,950,263	20,694,480	1,104,761	574,064
Confirmed bills of exchange and acceptances	7,842	4,562,605	-	3,382
Letters of credit	141,830	13,517,542	-	73,273
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	324,144	142,897	-	-
Other guarantees and sureties	217,069	276,662	-	-
Non-Cash Loans	36,641,148	39,194,186	1,104,761	650,719

5. Contingent assets and liabilities

Group allocates TL 38,407 as provision for lawsuits against the Group (December 31, 2019: TL 37,141).

6. Services rendered on behalf of third parties

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Interest income

Information on interest income received from loans

	Current Period - September 30, 2020		Prior Period - September 30, 2019	
	TL	FC	TL	FC
Short-term loans	4,284,614	516,480	7,843,423	594,659
Medium and long-term loans	17,209,910	4,335,995	13,607,438	3,774,150
Non-performing loans	517,697	-	416,121	-
Premiums received from resource utilization support fund	-	-	-	-
Total	22,012,221	4,852,475	21,866,982	4,368,809

Information on interest income received from banks

	Current Period - September 30, 2020		Prior Period - September 30, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	1,297
Domestic Banks	49,602	6,817	133,153	29,689
Foreign Banks	-	28,168	2,010	97,012
Foreign Head Office and Branches	-	-	-	-
Total	49,602	34,985	135,163	127,998

Information on interest income received from marketable securities portfolio

	Current Period - September 30, 2020		Prior Period - September 30, 2019	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	21,700	246,131	58,454	629
Financial assets at fair value through other comprehensive income	2,248,325	606,943	1,428,345	157,298
Financial assets measured at amortised cost	3,094,695	514,127	3,126,695	394,623
Total	5,364,720	1,367,201	4,613,494	552,550

As stated in Section 3 Note VII, “Fair value through other comprehensive income” and “measured at amortized cost” securities portfolios of the Bank include Consumer Price Indexed (CPI) Bonds. As stated in the Consumer Price Indexed Bonds Investor Guide of the Ministry of Treasury and Finance of the Republic of Turkey, the reference indices used in the calculation of the actual coupon payment amounts of these securities are based on the CPI of two months prior to the calculation date. The estimated inflation rate used is updated as needed within the year. In this context, as of September 30, 2020, the valuation of the related securities was based on an annual inflation forecast of 8.90 %. If the valuation of these securities indexed to CPI was made according to the reference index valid for September 30, 2020, the Bank's equity valuation differences on equity would decrease by TL 429 million (full TL) and the net profit for the period would increase TL 334 million (full TL).

Information on interest income received from associates and subsidiaries

None.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Interest Expense

Interest expense on funds borrowed

	Current Period – September 30, 2020		Prior Period – September 30, 2019	
	TL	FC	TL	FC
Banks	155,113	944,020	240,981	1,054,911
Central Bank of the Republic of Turkey	-	2,158	-	1,412
Domestic Banks	102,721	127,942	182,496	112,320
Foreign Banks	52,392	813,920	58,485	941,179
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	54,216	-	64,814
Total	155,113	998,236	240,981	1,119,725

Interest expense paid to associates and subsidiaries

	Current Period – September 30, 2020	Prior Period – September 30, 2019
Interests paid to the associates and subsidiaries	27,323	86,427

Interest expense on securities issued

Interest paid to securities issued as at for the period ended September 30, 2020 is TL 3,405,224 (TL 1,765,938 and 1,639,286 FC). (September 30, 2019: TL 3,059,046 (TL 1,907,624 and 1,151,422 FC).

Maturity structure of the interest expense on deposits

Current Period – September 30, 2020	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Interbank deposits	-	-	-	-	-	342,571	-	342,571
Saving deposits	-	733,164	2,847,021	153,699	22,923	191,555	656	3,949,018
Public sector deposits	8,627	600,048	361,444	82,049	41,599	2,145	-	1,095,912
Commercial deposits	-	1,187,616	1,532,870	65,844	59,359	78,507	-	2,924,196
Other deposits	-	122,535	662,185	116,549	15,809	10,814	-	927,892
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	8,627	2,643,363	5,403,520	418,141	139,690	625,592	656	9,239,589
FC								
Foreign Currency deposits	8,928	109,997	711,069	41,597	14,755	81,514	-	967,860
Interbank deposits	4,767	-	-	-	-	62,189	-	66,956
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	58	-	2,365	610	-	3,033
Total	13,695	109,997	711,127	41,597	17,120	144,313	-	1,037,849
Grand Total	22,322	2,753,360	6,114,647	459,738	156,810	769,905	656	10,277,438

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

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 INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Income	45,995,356	31,188,943
Income from capital market operations	14,758,460	10,543,129
Income from derivative financial instruments	23,640,087	14,768,540
Foreign exchange gains	7,596,809	5,877,274
Losses	(48,368,538)	(33,170,301)
Loss from capital market operations	(13,317,914)	(10,289,119)
Loss from derivative financial instruments	(24,824,166)	(17,447,426)
Foreign exchange loss	(10,226,458)	(5,433,756)
Net trading profit/loss	(2,373,182)	(1,981,358)

For the nine-month period ended 30 September 2020, the net loss arising from Group's derivative financial transactions related to the exchange rate changes, is TL 972,757 (30 September 2019: TL 2,558,864 net loss).

4. Information on other operating income

	Current Period – September 30, 2020	Prior Period – December 31, 2019
Income from reversal of the provisions for loans from prior periods	4,585,717	2,875,321
Earned insurance premiums (net of reinsurance share)	268,629	1,361,068
Communication income	11,960	29,346
Gain on sale of assets	578,468	205,091
Income from private pension business	39,340	200,101
Rent income	95,431	6,114
Other income	1,279,792	377,105
Total	6,859,337	5,054,146

(*) As of 30 September 2020, the Parent Bank has written-off loans and provisions, which were classified in the “Group V Loans” (Loans Classified as Loss) and which do not have reasonable expectations for recovery in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA.

5. Expected credit loss and other provision expenses

	Current Period – September 30, 2020	Prior Period - September 30, 2019
Expected Credit Loss	9,057,680	5,930,368
12 month expected credit loss (stage 1)	2,213,756	1,013,935
Significant increase in credit risk (stage 2)	4,086,894	1,950,237
Non-performing loans (stage 3)	2,757,030	2,966,196
Marketable Securities Impairment Expense	10,415	40,973
Financial Assets at Fair Value through Profit or Loss	3,001	6,340
Financial Assets at Fair Value Through Other	-	-
Comprehensive Income	7,414	34,633
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	662	148
Investments in Associates	662	148
Subsidiaries	-	-
Joint Ventures	-	-
Other	46,511	-
Total	9,115,268	5,971,489

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

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on other operating expenses

	Current Period - September 30, 2020	Prior Period - September 30, 2019
Reserve for Employee Termination Benefits	101,360	84,588
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	358,195	340,867
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	26,752	26,895
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses on Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	2,101,690	2,180,655
<i>Leasing expenses related to TFRS 16 exceptions</i>	59,105	72,364
<i>Repair and maintenance expenses</i>	51,679	47,525
<i>Advertisement expenses</i>	125,934	131,692
<i>Other expenses</i>	1,864,972	1,929,074
Loss on sale of assets	28,751	4,339
Other ^(*)	1,938,927	1,206,069
Total	4,555,675	3,843,413

^(*) Other operating expenses amounting to TL 1,938,927 (September 30, 2019: TL 1,206,069) is comprised of provision expenses for dividends to the personnel amounting to TL 245,152 (September 30, 2019: TL 216,674), TL 890,789 (September 30, 2019: None) written off loans and receivables, tax, fees and funds expenses amounting to TL 288,162 (September 30, 2019: TL 214,813), Saving Deposits Insurance Fund expenses amounting to TL 335,839 (September 30, 2019: TL 219,694), Compensation pensions amounting to TL 12 (September 30, 2019: None.), cumulative/noncumulative commission expenses amounting to TL 63,108 (September 30, 2019: TL 131,757), production commission expenses to TL 106,616 (September 30, 2019: TL 196,882) and other expenses amounting to TL 9,249 (September 30, 2019: TL 226,249)

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

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

8. Information on tax provision from discontinued and continuing operations

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

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

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

10. Provision for taxes

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

In the current period, the Group recorded a tax provision of TL 1,329,413 (September 30, 2019: TL 1,313,193) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

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 INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Sources of deferred tax benefit/charge	Current Period - September 30, 2020	Prior Period - September 30, 2019
Arising from Origination / (Reversal) of Deductible Temporary Differences	811,808	300,573
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(720,915)	433,529
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	90,893	734,102

11. Information on net profit and loss

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

Group has incurred TL 33,987,371 interest income and TL 17,837,385 interest expense, also incurred TL 2,355,865 amount of net fee and commission income from its ordinary banking operations (September 30, 2019: TL 32,151,335 interest income, TL 23,147,053 interest expense, TL 2,717,627 net fee and commission income).

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

None.

12. Income/loss related to non-controlling interest

	Current Period – September 30, 2020	Prior Period - September 30, 2019
Income/(losses) related to non-controlling interest	50,265	128,062

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	117	358,819	-	29,783	334,910	57,317
Balance at the end of the year	27	414,597	-	32,084	72,140	62,159
Interest and commission income	-	230	-	-	18,161	50

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	85	222,835	-	44,668	193,297	91,969
Balance at the end of the year	117	358,819	-	29,783	334,910	57,317
Interest and commission income	-	261	-	-	37,996	106

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

	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	260,823	538,053	-	1,079,621	89,026	623,318
Balance at the end of the year	1,495,945	260,823	1,271,710	-	134,075	89,026
Interest on deposits	27,323	86,427	36,463	159,266	5,652	12,634

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

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

In addition to the Fstructure 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 0.02% (December 31, 2019: 0.001%) and 0.54% (December 31, 2019: 0.537%) respectively.

Current Period - September 30, 2020	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	72,167		0.02
Non-Cash Loans	508,840		0.53
Deposits	2,901,730		0.73
Forward and Option Agreements	-		0.00

Prior Period - December 31, 2019	Amount	Compared with the Financial Statement	
		Amount	%
Cash Loans	2,827		0.00
Non-Cash Loans	415,648		0.54
Deposits	349,849		0.14
Forward and Option Agreements	-		0.00

Information on Benefits Provided to Directors

In the accounting period ending on September 30, 2020, a total amount of TL 35,969 was paid to the Group top management. (September 30, 2019: TL 32,055).

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 INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

SECTION SIX
OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

As per the resolution of 66th Annual General Assembly held on June 12, 2020, the net profit of year 2019 has been decided to be distributed as follows:

Profit Distribution Table of Year 2019	
Bank’s unconsolidated profit in its statutory financial statements	2,802,291
Deferred tax credits	-
Net profit of the year subject to distribution	2,802,291
Legal reserves	189,709
<i>First Legal Reserves</i>	94,855
<i>Reserves allocated according to banking law and articles of association.</i>	94,854
Net profit of the year subject to distribution	1,707,378
Gain on sale of immovable and shares of associates and subsidiaries	72,815
Extraordinary reserves	1,634,563
Dividends to shareholders	-

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

September 2020^(*)	Fitch Ratings
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B
Viability Note	b+

September 2020^(*)	Moody’s Investors’ Service
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Caa1/NP
Foreign Currency Outlook	Negative

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 (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independancy from Shareholders	A

^(*) The dates indicate the last grade change dates.

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 INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

OTHER DISCLOSURES (Continued)

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

The Parent Bank issued a Turkish Lira Overnight Reference Interest Rate (TLREF) indexed Vakıfbank financing bill with a term of 91 days, a nominal value of TL 621,120,000 (full TL), with the maturity date Nov 13, 2020 and an ISIN code of TRFVKFBK2059 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Aug 14, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 63 days, a nominal value of TL 101,286,336 (full TL), with the maturity date Oct 16, 2020 and an ISIN code of TRFVKFBE2040 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Aug 14, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 133 days, a nominal value of TL 30,994,618 (full TL), with the maturity date Jan 8, 2021 and an ISIN code of TRFVKFB12144 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Aug 28, 2020

The Parent Bank issued a Vakıfbank financing bill with a term of 119 days, a nominal value of TL 100,000,000 (full TL), with the maturity date Dec 25, 2020 and an ISIN code of TRFVKFBA2051 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Aug 28, 2020

The Parent Bank issued a Vakıfbank financing bill with a term of 45 days, a nominal value of TL 654,500,000 (full TL), with the maturity date Oct 16, 2020 and an ISIN code of TRFVKFBE2057 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 1, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 178 days, a nominal value of TL 800,000,000 (full TL), with the maturity date Feb 26, 2021 and an ISIN code of TRFVKFB22119 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 1, 2020

The Parent Bank issued a Vakıfbank financing bill with a term of 32 days, a nominal value of TL 50,389,003 (full TL), with the maturity date Oct 5, 2020 and an ISIN code of TRFVKFBE2065 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 3, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 150 days, a nominal value of TL 50,000,000 (full TL), with the maturity date Feb 5, 2021 and an ISIN code of TRFVKFB22127 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 8, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 209,000,000 (full TL), with the maturity date Dec 4, 2020 and an ISIN code of TRFVKFBA2069 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 11, 2020.

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

OTHER DISCLOSURES (Continued)

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

The Parent Bank issued a Vakıfbank financing bill with a term of 77 days, a nominal value of TL 416,910,000 (full TL), with the maturity date Dec 4, 2020 and an ISIN code of TRFVKFBA2077 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 18, 2020.

The Parent Bank issued a Vakıfbank financing bill with a term of 92 days, a nominal value of TL 30,000,000 (full TL), with the maturity date Dec 25, 2020 and an ISIN code of TRFVKFBA2085 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Sep 24, 2020.

The Parent Bank issued a Turkish Lira Overnight Reference Interest Rate (TLREF) indexed Vakıfbank financing bill with a term of 364 days, a nominal value of TL 113,000,000 (full TL), with the maturity date Oct 11, 2021 and an ISIN code of TRFVKFBE2115 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Oct 12, 2020.

The Parent Bank issued a Turkish Lira Overnight Reference Interest Rate (TLREF) indexed Vakıfbank financing bill with a term of 93 days, a nominal value of TL 609,200,000 (full TL), with the maturity date Jan 21, 2021 and an ISIN code of TRFVKFB12169 to be sold to qualified investors following the approval of the TL 30,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on Oct 20, 2020.

SECTION SEVEN

INDEPENDENT AUDITORS’ REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITORS’ REVIEW REPORT

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the nine-month period ended September 30, 2020., have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated November 9, 2020 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the nine-month period ended September 30, 2020.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

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

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

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

Assessment of the Board Chairman

Our dear stakeholders,

In the third quarter of 2020, the focus of developments in global markets was the new type of Coronavirus (Covid-19) pandemic that has affected the entire world since the first quarter of the year. The Covid-19 pandemic has affected global economic activity with a force that is rare in history. Borders were closed, travel restrictions were introduced, and curfews were imposed. Many workplaces and production facilities had to cease their activities. New decisions were implemented by policy makers in order to minimize the adverse effects of the pandemic on social and economic life.

As a result of these developments, having an economic shrinkage of 31.4% in the second quarter of 2020, which is the sharpest contraction since World War II, the US economy showed a record growth of 33.1% in the third quarter. Similarly, the Euro Zone grew by 12.7% and the Chinese economy by 4.9%. The growth figures announced have shown that the countries' economies have begun to recover. However, the fact that no vaccine has yet been found and the second wave of the pandemic has started has led to an increase in uncertainties regarding the coming period.

Turkey's economy experienced the negative effects of the Covid-19 pandemic the most in the second quarter. Turkey's economy contracted by 9.9% in the second quarter of 2020 compared to the same period of the previous year. However, in this period, the negative effects of the pandemic were minimized with support packages put into effect under the leadership of the economy management in order not to interrupt the production and supply chain, to protect employment and to maintain the healthy functioning of the financial system in our country. As a result of all these steps, the country's economy entered a rapid recovery in the third quarter.

Despite the fluctuations in financial markets, the Turkish Banking sector maintained its strong structure. In the third quarter of 2020, the size of assets of the sector reached TL 6,003 billion with an increase of 33.69% since the end of 2019. Loans increased by 33.86% to TL 3,555 billion and bank deposits increased by 34.18% to TL 3,444 billion. As of the end of September, the capital adequacy ratio of the Turkish Banking sector with 19.42% remained well above international standards. The sector continued to support the country's economy while it kept its healthy grow.

In the third quarter of the year, our Bank also continued to support the national economy. During this period, our assets reached TL 638,070 million with an increase of 52.13% compared to the end of 2019. Our cash loans, which have the largest share among our assets, increased by 49.65% and reached TL 411,216 million. Our deposit, which is our main funding source, increased by 56.72% and reached TL 394,206 million. We, as VakıfBank, will continue to be a supporting force for Turkey in the coming period as in the past. I would like to take this occasion to thank our valued customers, our shareholders and investors for their trust, and our employees for their efforts.

Truly yours,

Abdülkadir AKSU
Chairman of the Board

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

Assessment of the General Manager

Our dear stakeholders,

Started in the shade of the Covid-19 pandemic, the year 2020 has continued with uncertainties regarding the global economy and trade. Various social and economic measures were implemented in many countries to limit the negative effects of the pandemic. During this period, central banks of developed and developing countries continued their expansionary monetary policies. The economies of many developed countries experienced sharp contractions in the second quarter of the year due to the Covid-19 pandemic. However, with the loosening of tight measures in the third quarter of the year, the growth figures turned positive.

Turkey's economy began to recover with the partial normalization steps taken in May and June. However, with the impact of the recession on our economy in April, Turkey's economy shrank by 9.9% in the second quarter by presenting an outlook similar to OECD countries which contracted 9.8% in the same period. With the lifting of restrictions and the implementation of rapid normalization steps in July, a significant recovery was experienced in the country's economy. Precautions and supportive measures taken by public authorities in order to limit the effects of the pandemic continued to be implemented during this period, as well. With the contribution of the measures taken, leading indicators such as consumer confidence index, economy confidence index and industrial production index show that the recovery has accelerated. At the end of September 2020, the New Economy Program (NEP) for 2021-2023 was announced by our Minister of Treasury and Finance. Accordingly, our new themes were determined as "New Balancing", "New Normal" and "New Economy".

We, as VakıfBank, worked hard during this period to ensure that the financial system works and that resources are used in the right areas. In the third quarter of 2020, we increased our assets by 52.13% and reached TL 638,070 million. So, we became Turkey's third largest bank. Loans provided the most important contribution to our asset growth. Our commercial loans increased by 45.69% and reached TL 304,927 million and retail loans increased by 62.32% and reached TL 106,290 million. We increased the total support we provide to our national economy through cash and non-cash loans to TL 505,941 million.

In the third quarter of 2020, our main funding source continued to be deposits. We increased our total deposits by 56.72% and reached TL 394,206 million. Continuing to provide long-term and cost-effective funds from abroad, our Bank signed a loan agreement of USD 250 million with the World Bank under the guarantee of the Ministry of Treasury and Finance in the third quarter of 2020. With this loan, we will support the sectors most affected by the pandemic and continue to finance the real economy.

We, as VakıfBank, have witnessed how valuable our investments in technology and digitalization are during this period. Our customers were able to easily perform many banking transactions through our digital channels whenever they wanted. During this period, the number of our mobile banking customers reached 5.8 million and the number of our internet banking customers exceeded 6 million. We have been continuing to work and invest in this area to provide our customers with a perfect customer experience.

The prizes we have been awarded for the products and services we have developed honour us. Our bank made a name for itself in the international arena with its innovative product SKY Limit, which allows customers to determine limit management, and received the Bronze Stevie Award. On the other hand, as an indicator of the importance we attach to sustainability, we balanced more than all greenhouse gas emissions calculated for 2019 in line with our strategic goal in this period and became a Carbon Negative organization. We will continue our efforts in the field of sustainability in the upcoming periods.

VakıfBank will continue to grow from now on as in this period, support the real sector and households, and contribute to the sustainable growth of the national economy in all areas. I would like to take this occasion to sincerely thank our customers and shareholders who trust us, our employees who worked hard in this difficult period and made great efforts in our success, our Board of Directors and all our other social stakeholders for their contributions.

Truly yours,

Abdi Serdar ÜSTÜNSALIH
General Manager and Executive Board Member

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

INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

Significant Financial Indicators

BALANCE SHEET (Million TL)	SEPTEMBER 2020	DECEMBER 2019	CHANGE (%)
TOTAL ASSETS	638,070	419,426	52.13
SECURITIES PORTFOLIO	144,700	73,016	98.17
LOANS (*)	411,216	274,777	49.65
- Commercial Loans	304,926	209,295	45.69
- Retail Loans	106,290	65,482	62.32
DEPOSITS	394,206	251,531	56.72
- Term deposits	316,643	200,837	57.66
-Demand deposits	77,563	50,694	53.00
FUNDS BORROWED	48,003	41,079	16.86
SUBORDINATED DEBT INSTRUMENTS	19,569	19,245	1.68
SECURITIES ISSUED (NET)	41,950	29,176	43.78
EQUITY	44,186	33,026	33.79
NON-CASH LOANS	94,725	77,336	22.48

INCOME STATEMENT SUMMARY (Million TL)	SEPTEMBER 2020	SEPTEMBER 2019	CHANGE (%)
Financial period’s Net Profit/ Loss	4,341	1,522	185.25

INDICATOR RATIOS (%)	SEPTEMBER 2020	DECEMBER 2019
TOTAL LOANS/ ASSETS (*)	64.45	65.51
LOAN/DEPOSIT (*)	104.32	109.24
NON-PERFORMING LOANS RATIO	3.73	5.93
CAPITAL ADEQUACY RATIO	17.19	16.61
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.09	0.75
RETURN ON AVERAGE EQUITY (ROAE) (**)	14.99	9.13

(*) Excluding non-performing loans

(**) Calculations are annualized.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

Significant Financial Indicators (Consolidated)

BALANCE SHEET (Million TL)	SEPTEMBER 2020	DECEMBER 2019	CHANGE (%)
TOTAL ASSETS	651,095	433,041	50.35
SECURITIES PORTFOLIO	148,615	75,123	97.83
LOANS (*)	419,981	282,217	48.82
- Commercial Loans	313,686	216,731	44.74
- Retail Loans	106,295	65,486	62.32
DEPOSITS	398,503	254,131	56.81
- Term deposits	319,890	202,788	57.75
-Demand deposits	78,613	51,343	53.11
FUNDS BORROWED	52,316	45,064	16.09
SUBORDINATED DEBT INSTRUMENTS	19,569	19,245	1.68
SECURITIES ISSUED (NET)	41,782	29,248	42.85
EQUITY	45,402	33,552	35.32
NON-CASH LOANS	95,845	78,280	22.44

INCOME STATEMENT SUMMARY (Million TL)	SEPTEMBER 2020	SEPTEMBER 2019	CHANGE (%)
Financial period’s Net Profit/ Loss	5,491	2,020	171.79

INDICATOR RATIOS (%)	SEPTEMBER 2020	DECEMBER 2019
TOTAL LOANS/ ASSETS (*)	64.50	65.17
LOAN/DEPOSIT (*)	105.39	111.05
NON-PERFORMING LOANS RATIO	3.76	5.91
CAPITAL ADEQUACY RATIO	17.04	16.22
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.35	0.87
RETURN ON AVERAGE EQUITY (ROAE) (**)	18.54	10.75

(*) Excluding non-performing loans

(**) Calculations are annualized.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

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INFORMATION ON THE INTERIM ANNUAL REPORT(Continued)

An assessment of 3rd Quarter in 2020

Continuing its growth in the third quarter of 2020, our Group increased its total assets by 50.35% to TL 651,095 million. During this period, our performing loans increased by 48.82% and reached TL 419,981 million, and the share of performing loans in total assets was 64.50%. When the sub-distribution of loans is analysed, it is seen that our commercial loans reached TL 313,686 million and our retail loans reached TL 106,295 million.

In the third quarter of 2020, our Group increased its deposits by 56.81% to TL 398,503 million.

Apart from deposits, our Bank issued financing bills with a total nominal value of TL 15,973 million as of the third quarter of 2020 through public offering home and to be sold to qualified investors. The amount of funds we obtained from abroad reached the level of USD 3,204 million during the year.

On 09.09.2020, the "Turkey Emergency Firm Support Project" loan agreement amounting to USD 250 million with a total term of 23 years and with a grace period of seven (7) years was signed between our Bank and the World Bank under the guarantee of the Ministry of Treasury and Finance. The Project aims to finance small and medium-sized private sector enterprises (SMEs) that are economically affected by the COVID-19 pandemic or trying to adapt to pandemic conditions.

In the third quarter of 2020, our Group achieved a net profit of TL 5,491 million. The capital adequacy ratio of our Group was 17.04%.

As of September 30, 2020, the number of branches of our Bank was 938 and the number of personnel was 16,714.

Fitch Ratings, an international credit rating agency, revised Turkey's long-term rating outlook from stable to negative on August 21, 2020. Subsequently, VakıfBank confirmed all ratings on September 1, 2020 and revised its long-term local currency rating outlook from stable to negative.

Following the lowering by Moody's, an international rating agency, of Turkey's rating from "B1" to "B2" on September 11, 2020, VakıfBank's long-term FX rating was lowered from B3 (negative outlook) to Caa1 (negative outlook) on September 15, 2020.

Other Important Developments

- With the decision of the Bank's Board of Directors dated July 8, 2020, Arif ÇOKÇETİN was appointed as Executive Vice President.
- With the decision of the Bank's Board of Directors dated August 13, 2020, it was decided to retire Hüseyin Uğur BİLGİN, Executive Vice President, and to appoint Kadir KARATAŞ, the Bank's Head of Support Services, as Executive Vice President.

Amendments to Articles of Association

The Bank's Articles of Association have been amended, and these amendments were registered on 09/06/2020 and published in the Turkish Trade Registry Gazette, dated 11.06.2020. Our Bank's Articles of Association can be found at <https://www.kap.org.tr/tr/Bildirim/851574>.