

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
CONSOLIDATED FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES AT DECEMBER 31, 2019  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

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



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

**INDEPENDENT AUDITOR'S REPORT**

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

**A. Audit of the Consolidated Financial Statements**

**1. Qualified Opinion**

We have audited the accompanying consolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and its subsidiaries (collectively referred to as "the Group") which comprise the statement of consolidated balance sheet as at 31 December 2019, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion section below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.



## **2. Basis for Qualified Opinion**

As explained in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements; a portion of free provision amounting to TL 178,000 thousand has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Group management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying consolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is the TL 852,000 thousand as at 31 December 2019.

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

## **3. Key Audit Matters**

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



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="279 555 821 683"><b><i>Expected Credit Losses for Loans and Receivables in Accordance with TFRS 9 “Financial Instruments Standard” (“TFRS 9”)</i></b></p> <p data-bbox="279 705 837 1108">The Group has total expected credit losses of TL 15,067,380 thousand in respect to loans and receivables of TL 299,929,601 thousand which represent a significant portion of the Group’s total assets in its consolidated financial statements as at 31 December 2019. Explanations and notes related to provision for impairment of loans and receivables are presented Section III Part VII, Section III Part VIII, Section IV Part II, Section IV Part XI-3, Section V Part I-5 and Section V Part II-7 in the accompanying consolidated financial statements as at 31 December 2019.</p> <p data-bbox="279 1142 837 1668">The Group recognizes provision for impairment in accordance with “TFRS 9 Financial Instruments” (“TFRS 9”) requirements effective from 1 January 2018 in line with the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Group determines staging of credit identifying significant increase in credit risk with quantitative and qualitative assessments and default event disclosed in Section Three Part VIII in the accompanying consolidated financial statements.</p>	<p data-bbox="869 705 1476 929">With respect to stage classification of loans and receivables and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p data-bbox="869 952 1476 1400">Within the framework of the policies and procedures applied by the Group, together with our financial risk experts, we have checked and assessed the appropriateness of the methods used in the model developed for staging of loans and calculation of expected credit losses in accordance with TFRS 9. For forward looking assumptions (including macro-economic factors) made by the Group’s management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information. We have recalculated the calculations in the model developed by the Group together with our financial risk experts on a sample selection basis.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="280 551 818 674"><b><i>Expected Credit Losses for Loans and Receivables in Accordance with TFRS 9 “Financial Instruments Standard” (“TFRS 9”) (Continued)</i></b></p> <p data-bbox="280 707 818 860">Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.</p> <p data-bbox="280 893 839 1077">The Group has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses.</p> <p data-bbox="280 1111 839 1603">Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan and receivable balances; the classification of loans and receivables as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p data-bbox="873 707 1401 768">Our audit processes also include the following procedures:</p> <ul data-bbox="873 801 1474 1917" style="list-style-type: none"> <li data-bbox="873 801 1445 954">• Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used.</li> <li data-bbox="873 958 1474 1171">• The basic and important estimates and the assumptions related to macroeconomic variables, significant increase in credit risk in the calculation of expected credit losses, default definition, probability of default and loss given default were assessed and tested together with our financial risk experts.</li> <li data-bbox="873 1176 1474 1328">• We have checked expected credit losses determined based on individual assessment per Group’s policy by means of supporting data on a sample basis and evaluated appropriateness via communications with management.</li> <li data-bbox="873 1332 1457 1485">• We checked sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</li> <li data-bbox="873 1489 1422 1550">• We checked accuracy of resultant expected credit losses calculations on a sample basis.</li> <li data-bbox="873 1554 1474 1738">• To assess appropriateness of the Group’s determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment under TFRS 9, we have performed loan review procedures based on a selected sample.</li> <li data-bbox="873 1742 1474 1917">• We checked the accuracy and completeness of the disclosures made within the TFRS 9 framework in the consolidated financial statements the Group presented with respect to loans and receivables and related expected credit losses.</li> </ul>



<b>Key Audit Matters</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p data-bbox="284 555 815 589"><b><i>Valuation of Pension Fund Obligations</i></b></p> <p data-bbox="284 613 836 734">Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying consolidated financial statements as at 31 December 2019.</p> <p data-bbox="284 761 836 1379">“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The president of republic is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Group’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p data-bbox="284 1406 836 1641">During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p data-bbox="874 613 1474 797">Within our audit procedures, we tested on a sample basis the accuracy of the employee data supplied by the Group management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets on a sample basis.</p> <p data-bbox="874 824 1474 976">We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p data-bbox="874 1003 1474 1124">Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p data-bbox="874 1151 1474 1240">In addition to the above procedures, we have reviewed disclosures made with respect to pension funds in the consolidated financial statements.</p>





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

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

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

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

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

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

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

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

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



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

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

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

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





## **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

### **Additional Paragraph for Convenience Translation**

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

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

Halûk Yalçın, SMMM  
Partner

Istanbul, 26 February 2020

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
CONSOLIDATED FINANCIAL REPORT  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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

The consolidated financial report as at and for the year ended 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' REPORT

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

<b>SUBSIDIARIES</b>	<b>ASSOCIATES</b>	<b>JOINT-VENTURES</b>
Güneş Sigorta AŞ	Kıbrıs Vakıflar Bankası Ltd.	-
Vakıf Emeklilik ve Hayat AŞ	Türkiye Sınai Kalkınma Bankası AŞ	-
Vakıf Faktoring AŞ	-	-
Vakıf Finansal Kiralama AŞ	-	-
Vakıf Yatırım Menkul Değerler AŞ	-	-
VakıfBank International AG	-	-
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	-	-
Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	-	-

The accompanying consolidated financial statements for the year 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.

February 26, 2020

Abdülkadir AKSU  
Chairman of The Board

Şahap KAVCIOĞLU  
Deputy Chairman of the Board and  
Audit Committee Member

Serdar TUNÇBİLEK  
Board and Audit  
Committee Member

Abdi Serdar ÜSTÜNSALİH  
General Manager and  
Board Member

Şuayyip İLBİLGİ  
Assistant General Manager

Korhan TURGUT  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title: Burcu Sütçü AKDAĞ / Manager  
Phone no : +90 216 724 31 35  
Fax no : +90 216 724 49 55

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

	Page No:
<b><u>SECTION ONE</u></b>	
General Information	
I. History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status	1
II. The Parent Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on Bank's risk group	1-2
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	3-4
IV. Information on the Parent Bank's qualified shareholders	5
V. Information about the services and nature of activities of the Parent Bank	6
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	7
VII. Current of likely actual or legal barriers to immediate transfer of equity or repayment of debts between the Parent Bank and its subsidiaries	7
<b><u>SECTION TWO</u></b>	
Consolidated Financial Statements	
I. Consolidated balance sheet – Assets	9
II. Consolidated balance sheet - Liabilities and equity	10
III. Consolidated off-balance sheet items	11
IV. Consolidated statement of profit or loss	12
V. Consolidated statement of profit and loss items and other comprehensive income	13
VI. Consolidated statement of changes in shareholders' equity	14-15
VII. Consolidated statement of cash flows	16
VIII. Consolidated statement of profit distribution	17
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	18
II. Strategy for the use of financial instruments and information on foreign currency transactions	19-20
III. Information on associates that are consolidated and subsidiaries that are accounted according to equity method	21-22
IV. Information on forwards, options and other derivative transactions	22
V. Information on interest income and expenses	23
VI. Information on fees and commissions	23
VII. Information on financial assets	23-25
VIII. Information on expected credit loss provisions	26-29
IX. Information on offsetting of financial instruments	29
X. Information on sales and repurchase agreements and securities lending	29
XI. Information on assets held for sale and discontinued operations and related liabilities	29
XII. Information on goodwill and other intangible assets	30
XIII. Information on tangible assets	30
XIV. Information on leasing activities	31
XV. Information on provisions, contingent liabilities and assets	31
XVI. Information on obligations of the Group concerning employee rights	32-33
XVII. Information on taxation	34-35
XVIII. Information on cash and cash equivalents	36
XIX. Additional information on borrowings	36
XX. Information on issuance of equity securities	36
XXI. Information on confirmed bills of exchange and acceptances	36
XXII. Information on government incentives	36
XXIII. Information on segment reporting	36
XXIV. Other matters	37-39
<b><u>SECTION FOUR</u></b>	
Information Related to the Consolidated Financial Position and Risk Management	
I. Consolidated equity items	40-48
II. Consolidated credit risk	48-60
III. Consolidated foreign currency exchange risk	61-63
IV. Consolidated interest rate risk	64-66
V. Consolidated stock position risk	67-68
VI. Consolidated liquidity risk and liquidity coverage ratio	68-72
VII. Consolidated leverage ratio	73
VIII. Fair values of financial assets and liabilities	74-76
IX. Transactions carried out on behalf of customers, items held in trust	76
X. Consolidated segment reporting	76-77
XI. Information on risk management	78-98
<b><u>SECTION FIVE</u></b>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Information and disclosures related to consolidated assets	99-124
II. Information and disclosures related to consolidated liabilities	125-134
III. Information and disclosures related to consolidated off-balance sheet items	135-138
IV. Information and disclosures related to consolidated statement of income	139-143
V. Information and disclosures related to statement of changes in shareholders' equity	144
VI. Information and disclosures on statement of cash flows	145-146
VII. Information and disclosures related to the parent bank's risk group	147-148
VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices of the parent bank	148
<b><u>SECTION SIX</u></b>	
Other Disclosures and Footnotes	
I. Other disclosures on the Parent Bank's activity	149
II. Information on the Parent Bank's rating given by international credit rating institutions	149
III. Significant events and matters subsequent to balance sheet date that are not resulted	150-51
<b><u>SECTION SEVEN</u></b>	
Independent Auditors' Report	
I. Information on Independent auditor's report	152
II. Explanations and footnotes prepared by independent auditor	152

**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 YEAR ENDED DECEMBER 31, 2019**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

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

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

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

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

**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 YEAR ENDED DECEMBER 31, 2019**

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

---

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

**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 YEAR ENDED DECEMBER 31, 2019**

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

**GENERAL INFORMATION (Continued)**

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

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
<b>Board of Directors</b>				
Abdülkadir AKSU	Chairman	May 27, 2019	Bachelor’s	-
Doç.Dr.Şahap KAVCIOĞLU	Deputy Chairman	August 14, 2018	PhD	25 years
Abdi Serdar ÜSTÜNSALİH	Member – General Manager	May 27, 2019	Master’s	28 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	31 years
Dilek YÜKSEL	Member	29 March, 2016	Bachelor’s	7 years
Şahin UĞUR	Member	June 9, 2017	Bachelor’s	33 years
Serdar TUNÇBİLEK	Member	June 9, 2017	Bachelor’s	33 years
Dr.Cemil Ragıp ERTEM	Member	August 13, 2018	PhD	21 years
Sadık YAKUT	Member	May 27, 2019	Bachelor’s	-
<b>Audit Committee</b>				
Doç.Dr.Şahap KAVCIOĞLU	Member	August 14, 2018	PhD	25 years
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	33 years
<b>Auditor</b>				
Yunus ARINCI	Auditor	March 19, 2010	Master’s	22 years
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	35 years
<b>Assistant General Managers</b>				
Metin Recep ZAFER	R&D and Business Intelligence Application Development, Basic Banking Application Development, Channel Management and Payment Systems App. Development, System Management, IT System and Application Support, IT Planning and Coordination, Treasury Operations, Foreign Operations, Banking Operations, Credit, Customer and Account Operations	June 13, 2006	PhD	24 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	Bachelor’s	25 years
H.Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	Bachelor’s	33 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	24 years
Mikail HIDİR	Credit Risk Planning and Monitoring Evaluation and Rating, Credit Risk Liquidation, Legal Affairs	December 26, 2018	Bachelor’s	16 years
Hazım AKYOL	Corporate Banking Marketing, Commercial Banking Marketing, Corporate Branches Cash Management Product Development and Foreign Trade Marketing	May 31, 2019	Bachelor’s	26 years
Alaattin ŞİMŞEK	Corporate Loans Allocation and Management SME and Retail Loans Allocation, Commercial Loans Allocation Application of Credit Policies and Processes 1-2 Specific Loans Management	May 31, 2019	Bachelor’s	25 years
Ferkan MERDAN	Payment Systems, Digital Banking and Distribution Channels, Corporate Communication	May 31, 2019	Master’s	23 years
Muhammed Onay ÖZKAN	Treasury Management, International Banking and Investor Relations Treasury Middle Office	May 31, 2019	Bachelor’s	19 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 AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

- Yakup ŞİMŞEK has been resigned from his duty and appointed as Assistant General Manager of Vakıf Faktoring A.Ş.,
- İlker YEŞİL has been resigned from his duty and appointed as Assistant General Manager of Taksim Otelcilik A.Ş.,
- Ersin ÖZOĞUZ has been resigned from his duty and appointed as Assistant General Manager of Güneş Sigorta A.Ş.,
- Şeyh Mehmet BOZ has been resigned from his duty and appointed as Assistant General Manager of Vakıf Gayrimenkul Değerleme A.Ş.,
- Hasan ECESoy has been resigned from his duty and appointed as Assistant General Manager of Vakıf Yatırım Menkul Değerler A.Ş.,
- Mehmet Emin KARAAĞAÇ has been resigned and

As per decision taken on the same date;

- Alaattin ŞİMŞEK who served under Bank’s General Directorate
- Hazım AKYOL who served as the head of Bank’s Ankara Main Branch
- Ferkan MERDAN who served as the head of Bank’s General Accounting and Financial Affairs
- Muhammed Onay ÖZKAN who served as the Bank’s head of Treasury Management

appointed as Assistant General Managers.

**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 YEAR ENDED DECEMBER 31, 2019**

(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- 31 December 2019**

<b>Shareholders</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage (%)</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
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	-

**Prior Period – 31 December 2018**

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

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

As of 31 December 2018, shareholder holding control over the Bank is the General Directorate of the Foundations and Appendant foundations represented by the General Directorate of the Foundations having 58.45% of the Bank’s outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, having 16.10% of outstanding shares of the Bank.

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

**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 YEAR ENDED DECEMBER 31, 2019**

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

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

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 December 31, 2019, The Parent Bank has 940 domestic, 3 foreign, in total 943 branches (December 31, 2018: 948 domestic, 3 foreign, in total 951 branches). As at December 31, 2019, The Parent Bank has 16,835 employees (December 31, 2018: 16,767 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 AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**

(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 year ended December 31, 2019, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the full consolidated financial statements of the Group.

As of 31 December 2019, the parent Bank has removed Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ from the Subsidiaries account and companies are started to be classified under the Non-Current Assets or Disposal Groups “Held for Sale” and “From Discontinued Operations (Net)” account. Thus, the same changes applied to the consolidated tables, where Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are removed from the scope of consolidation and now classified under the Non-Current Assets or Disposal Groups “Held for Sale” and “From Discontinued Operations (Net)” account in the balance sheet. Lastly, they have been included in the consolidated financial statements of the Group in income statement as in full consolidation method.

As at and for the year ended December 31, 2019, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values 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 AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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

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

AS AT DECEMBER 31, 2019

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

ASSETS	Notes	Audited Current Period December 31, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>23,839,465</b>	<b>51,504,253</b>	<b>75,343,718</b>	<b>17,935,560</b>	<b>36,769,530</b>	<b>54,705,090</b>
<b>1.1 Cash and cash equivalents</b>	V-I-1	<b>2,399,213</b>	<b>40,329,046</b>	<b>42,728,259</b>	<b>6,029,366</b>	<b>33,165,402</b>	<b>39,194,768</b>
1.1.1 Cash and balances at Central Bank	V-I-1	2,387,874	34,116,718	36,504,592	5,466,368	27,025,089	32,491,457
1.1.2 Banks	V-I-3	6,120	6,212,378	6,218,498	563,482	6,140,626	6,704,108
1.1.3 Receivables from Money Markets		14,535	-	14,535	6,839	-	6,839
1.1.4 Allowance for expected credit losses (-)	V-I-18	9,316	50	9,366	7,323	313	7,636
<b>1.2 Financial assets at fair value through profit or loss</b>	V-I-2	<b>178,298</b>	<b>2,129,634</b>	<b>2,307,932</b>	<b>147,706</b>	<b>76,799</b>	<b>224,505</b>
1.2.1 Public debt securities		198	2,017,593	2,017,791	3,131	7,033	10,164
1.2.2 Equity instruments		173,286	112,041	285,327	2,914	69,766	72,680
1.2.3 Other financial assets		4,814	-	4,814	141,661	-	141,661
<b>1.3 Financial assets at fair value through other comprehensive income</b>	V-I-4	<b>17,673,354</b>	<b>8,126,945</b>	<b>25,800,299</b>	<b>7,727,407</b>	<b>3,145,027</b>	<b>10,872,434</b>
1.3.1 Public debt securities		17,089,209	7,011,397	24,100,606	7,662,348	2,161,026	9,823,374
1.3.2 Equity instruments		14,131	3,924	18,055	-	3,451	3,451
1.3.3 Other financial assets		570,014	1,111,624	1,681,638	65,059	980,550	1,045,609
<b>1.4 Derivative financial assets</b>	V-I-2	<b>3,588,600</b>	<b>918,628</b>	<b>4,507,228</b>	<b>4,031,081</b>	<b>382,302</b>	<b>4,413,383</b>
1.4.1 Derivative financial assets at fair value through profit or loss		3,588,600	918,628	4,507,228	4,031,081	382,302	4,413,383
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>224,392,334</b>	<b>106,479,466</b>	<b>330,871,800</b>	<b>175,129,227</b>	<b>93,496,819</b>	<b>268,626,046</b>
<b>2.1 Loans</b>	V-I-5	<b>202,068,252</b>	<b>92,213,963</b>	<b>294,282,215</b>	<b>150,765,467</b>	<b>83,697,409</b>	<b>234,462,876</b>
<b>2.2 Receivables from leasing transactions</b>	V-I-10	<b>696,678</b>	<b>2,077,438</b>	<b>2,774,116</b>	<b>528,938</b>	<b>2,252,664</b>	<b>2,781,602</b>
<b>2.3 Factoring receivables</b>		<b>2,504,062</b>	<b>369,208</b>	<b>2,873,270</b>	<b>2,537,604</b>	<b>97,705</b>	<b>2,635,309</b>
<b>2.4 Financial assets measured at amortised cost</b>	V-I-6	<b>35,004,414</b>	<b>12,010,219</b>	<b>47,014,633</b>	<b>32,377,288</b>	<b>7,603,222</b>	<b>39,980,510</b>
2.4.1 Public debt securities		34,945,546	11,700,580	46,646,126	32,326,808	7,413,026	39,739,834
2.4.2 Other financial assets		58,868	309,639	368,507	50,480	190,196	240,676
<b>2.5 Allowance for expected credit losses (-)</b>		<b>15,881,072</b>	<b>191,362</b>	<b>16,072,434</b>	<b>11,080,070</b>	<b>154,181</b>	<b>11,234,251</b>
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)</b>	V-I-16	<b>7,240,607</b>	<b>456,388</b>	<b>7,696,995</b>	<b>1,568,113</b>	<b>-</b>	<b>1,568,113</b>
3.1 Held for sale purpose		7,240,607	456,388	7,696,995	1,568,113	-	1,568,113
3.2 Related to discontinued operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>1,481,250</b>	<b>3</b>	<b>1,481,253</b>	<b>1,125,286</b>	<b>3</b>	<b>1,125,289</b>
<b>4.1 Investments in associates (Net)</b>	V-I-7	<b>1,138,780</b>	<b>3</b>	<b>1,138,783</b>	<b>805,406</b>	<b>3</b>	<b>805,409</b>
4.1.1 Associates accounted by using equity method		447,762	-	447,762	363,641	-	363,641
4.1.2 Unconsolidated associates		691,018	3	691,021	441,765	3	441,768
<b>4.2 Investments in subsidiaries (Net)</b>	V-I-8	<b>342,470</b>	<b>-</b>	<b>342,470</b>	<b>319,880</b>	<b>-</b>	<b>319,880</b>
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		342,470	-	342,470	319,880	-	319,880
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	V-I-9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	V-I-12	<b>3,029,550</b>	<b>11,417</b>	<b>3,040,967</b>	<b>2,832,630</b>	<b>11,876</b>	<b>2,844,506</b>
<b>VI. INTANGIBLE ASSETS AND GOODWILL (Net)</b>	V-I-13	<b>237,755</b>	<b>304</b>	<b>238,059</b>	<b>286,176</b>	<b>335</b>	<b>286,511</b>
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		223,124	304	223,428	271,545	335	271,880
<b>VII. INVESTMENT PROPERTIES (Net)</b>	V-I-14	<b>608,990</b>	<b>-</b>	<b>608,990</b>	<b>607,400</b>	<b>-</b>	<b>607,400</b>
<b>VIII. CURRENT TAX ASSETS</b>	V-I-15	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>IX. DEFERRED TAX ASSETS</b>	V-I-15	<b>801,616</b>	<b>-</b>	<b>801,616</b>	<b>188,968</b>	<b>-</b>	<b>188,968</b>
<b>X. OTHER ASSETS</b>	V-I-17	<b>5,328,857</b>	<b>7,628,874</b>	<b>12,957,731</b>	<b>6,064,575</b>	<b>8,621,960</b>	<b>14,686,535</b>
<b>TOTAL ASSETS</b>		<b>266,960,424</b>	<b>166,080,705</b>	<b>433,041,129</b>	<b>205,737,937</b>	<b>138,900,523</b>	<b>344,638,460</b>

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



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT DECEMBER 31, 2019

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

	LIABILITIES	Notes	Audited Current Period December 31, 2019			Audited Prior Period December 31, 2018		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	V-II-1	142,276,343	111,854,405	254,130,748	108,319,277	74,156,432	182,475,709
<b>II.</b>	<b>BORROWINGS</b>	V-II-3	2,286,766	42,776,918	45,063,684	2,639,581	42,793,276	45,432,857
<b>III.</b>	<b>MONEY MARKET FUNDS</b>		19,825,274	5,598,794	25,424,068	26,863,700	2,260,172	29,123,872
<b>IV.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	V-II-3	11,792,577	17,455,479	29,248,056	8,111,583	14,660,908	22,772,491
4.1	Bills		6,494,825	-	6,494,825	4,319,247	-	4,319,247
4.2	Asset backed securities		-	-	-	62,960	-	62,960
4.3	Bonds		5,297,752	17,455,479	22,753,231	3,729,376	14,660,908	18,390,284
<b>V.</b>	<b>FUNDS</b>		3,053	-	3,053	3,054	-	3,054
5.1	Borrower funds		-	-	-	-	-	-
5.2	Other		3,053	-	3,053	3,054	-	3,054
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	V-II-2	2,226,099	1,085,898	3,311,997	2,121,617	430,631	2,552,248
7.1	Derivative financial liabilities at fair value through profit or loss		2,226,099	1,085,898	3,311,997	2,121,617	430,631	2,552,248
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		1,823	549	2,372	903	-	903
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	V-II-5	935,839	99	935,938	-	-	-
<b>X.</b>	<b>PROVISIONS</b>	V-II-7	2,219,860	39,067	2,258,927	5,783,951	44,704	5,828,655
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		1,153,968	3,997	1,157,965	1,084,477	3,641	1,088,118
10.3	Insurance technical reserves (Net)		-	-	-	3,428,842	18,220	3,447,062
10.4	Other provisions		1,065,892	35,070	1,100,962	1,270,632	22,843	1,293,475
<b>XI.</b>	<b>CURRENT TAX LIABILITIES</b>	V-II-8	1,138,988	3,003	1,141,991	855,863	1,301	857,164
<b>XII.</b>	<b>DEFERRED TAX LIABILITIES</b>	V-II-8	1,232	30,758	31,990	31,040	681	31,721
<b>XIII.</b>	<b>LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS"</b>							
	(Net)	V-II-9	5,018,668	353,532	5,372,200	1,546	-	1,546
13.1	Held for sale		5,018,668	353,532	5,372,200	1,546	-	1,546
13.2	Related to discontinued operations		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT</b>	V-II-10	6,394,877	12,850,576	19,245,453	5,668,121	7,353,902	13,022,023
14.1	Loans		-	-	-	-	-	-
14.2	Other debt instruments		6,394,877	12,850,576	19,245,453	5,668,121	7,353,902	13,022,023
<b>XV.</b>	<b>OTHER LIABILITIES</b>	V-II-4	9,705,538	3,612,824	13,318,362	7,926,529	5,503,935	13,430,464
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	V-II-11	32,573,508	978,782	33,552,290	28,533,753	572,000	29,105,753
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		839,941	-	839,941	815,709	-	815,709
16.2.1	Equity share premiums		723,962	-	723,962	724,276	-	724,276
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Other capital reserves		115,979	-	115,979	91,433	-	91,433
<b>16.3</b>	<b>Other accumulated comprehensive income that will not be reclassified in profit or loss</b>		1,659,676	-	1,659,676	1,617,926	578	1,618,504
<b>16.4</b>	<b>Other accumulated comprehensive income that will be reclassified in profit or loss</b>		561,289	682,614	1,243,903	(126,314)	213,595	87,281
<b>16.5</b>	<b>Profit reserves</b>		23,057,072	200,064	23,257,136	18,226,208	19,673	18,245,881
16.5.1	Legal reserves		2,538,782	10,669	2,549,451	2,079,765	10,669	2,090,434
16.5.2	Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3	Extraordinary reserves		20,061,308	185,780	20,247,088	15,689,472	5,389	15,694,861
16.5.4	Other profit reserves		450,645	3,615	454,260	450,634	3,615	454,249
<b>16.6</b>	<b>Profit or loss</b>		3,134,638	45,862	3,180,500	4,850,989	245,715	5,096,704
16.6.1	Prior years' profits or losses		(148,390)	(40,469)	(188,859)	440,987	111,439	552,426
16.6.2	Current period net profit or loss		3,283,028	86,331	3,369,359	4,410,002	134,276	4,544,278
<b>16.7</b>	<b>Minority interests</b>		820,892	50,242	871,134	649,235	92,439	741,674
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>236,400,445</b>	<b>196,640,684</b>	<b>433,041,129</b>	<b>196,860,518</b>	<b>147,777,942</b>	<b>344,638,460</b>

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

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

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

AS AT DECEMBER 31, 2019

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

	Notes	Audited Current Period December 31, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>	<b>130,858,298</b>	<b>206,289,254</b>	<b>337,147,552</b>	<b>96,501,074</b>	<b>145,965,409</b>	<b>242,466,483</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>38,069,926</b>	<b>40,210,391</b>	<b>78,280,317</b>	<b>37,626,296</b>	<b>28,402,701</b>	<b>66,028,997</b>
1.1.	Letters of guarantee	37,379,041	21,625,025	59,004,066	36,896,905	15,055,991	51,952,896
1.1.1.	Guarantees subject to state tender law	2,904,236	7,080,944	9,985,180	3,807,039	5,902,336	9,709,375
1.1.2.	Guarantees given for foreign trade operations	1,322,033	-	1,322,033	1,314,771	-	1,314,771
1.1.3.	Other letters of guarantee	33,152,772	14,544,081	47,696,853	31,775,095	9,153,655	40,928,750
<b>1.2.</b>	<b>Bank acceptances</b>	<b>7,842</b>	<b>4,574,992</b>	<b>4,582,834</b>	<b>24,005</b>	<b>2,948,104</b>	<b>2,972,109</b>
1.2.1.	Import letter of acceptance	-	220,683	220,683	-	586,987	586,987
1.2.2.	Other bank acceptances	7,842	4,354,309	4,362,151	24,005	2,361,117	2,385,122
<b>1.3.</b>	<b>Letters of credit</b>	<b>141,830</b>	<b>13,590,815</b>	<b>13,732,645</b>	<b>51,010</b>	<b>10,148,777</b>	<b>10,199,787</b>
1.3.1.	Documentary letters of credit	141,830	13,590,815	13,732,645	51,010	10,148,777	10,199,787
1.3.2.	Other letters of credit	-	-	-	-	-	-
<b>1.4.</b>	<b>Pre-financings given as guarantee</b>	<b>-</b>	<b>4,736</b>	<b>4,736</b>	<b>-</b>	<b>4,199</b>	<b>4,199</b>
<b>1.5.</b>	<b>Endorsements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
<b>1.6.</b>	<b>Purchase guarantees for securities issued</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>1.7.</b>	<b>Factoring guarantees</b>	<b>324,144</b>	<b>142,897</b>	<b>467,041</b>	<b>243,674</b>	<b>127,759</b>	<b>371,433</b>
<b>1.8.</b>	<b>Other guarantees</b>	<b>51,444</b>	<b>49,964</b>	<b>101,408</b>	<b>58,309</b>	<b>38,904</b>	<b>97,213</b>
<b>1.9.</b>	<b>Other warranties</b>	<b>165,625</b>	<b>221,962</b>	<b>387,587</b>	<b>352,393</b>	<b>78,967</b>	<b>431,360</b>
<b>II.</b>	<b>COMMITMENTS</b>	<b>50,408,925</b>	<b>32,589,509</b>	<b>82,998,434</b>	<b>38,193,153</b>	<b>27,235,343</b>	<b>65,428,496</b>
<b>2.1.</b>	<b>Irrevocable commitments</b>	<b>43,325,448</b>	<b>5,794,937</b>	<b>49,120,385</b>	<b>33,843,142</b>	<b>2,631,960</b>	<b>36,475,102</b>
2.1.1.	Asset purchase and sales commitments	2,407,191	5,561,794	7,968,985	1,501,627	2,252,627	3,754,254
2.1.2.	Deposit purchase and sales commitments	-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	7,500	-	7,500	2,250	-	2,250
2.1.4.	Loan granting commitments	18,076,739	2,340	18,079,079	14,103,024	2,325	14,105,349
2.1.5.	Securities issuance brokerage commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Commitments for cheque payments	3,528,150	-	3,528,150	1,979,217	-	1,979,217
2.1.8.	Tax and fund liabilities on export commitments	-	-	-	-	-	-
2.1.9.	Commitments for credit card expenditure limits	17,293,741	-	17,293,741	13,549,649	-	13,549,649
2.1.10.	Commitments for credit card and banking services promotions	484,519	-	484,519	571,282	-	571,282
2.1.11.	Receivables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.12.	Payables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	1,527,608	230,803	1,758,411	2,136,093	377,008	2,513,101
<b>2.2.</b>	<b>Revocable commitments</b>	<b>7,083,477</b>	<b>26,794,572</b>	<b>33,878,049</b>	<b>4,350,011</b>	<b>24,603,383</b>	<b>28,953,394</b>
2.2.1.	Revocable loan granting commitments	7,083,477	26,794,572	33,878,049	4,350,011	24,603,383	28,953,394
2.2.2.	Other revocable commitments	-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>42,379,447</b>	<b>133,489,354</b>	<b>175,868,801</b>	<b>20,681,625</b>	<b>90,327,365</b>	<b>111,008,990</b>
<b>3.1.</b>	<b>Derivative financial instruments held for hedging purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1.1.	Fair value hedges	-	-	-	-	-	-
3.1.2.	Cash flow hedges	-	-	-	-	-	-
3.1.3.	Hedging for investments made in foreign countries	-	-	-	-	-	-
<b>3.2.</b>	<b>Trading transactions</b>	<b>42,379,447</b>	<b>133,489,354</b>	<b>175,868,801</b>	<b>20,681,625</b>	<b>90,327,365</b>	<b>111,008,990</b>
3.2.1.	Forward foreign currency purchase and sale transactions	2,320,043	2,217,584	4,537,627	1,201,285	1,543,434	2,744,719
3.2.1.1.	Forward foreign currency purchase transactions	1,163,458	1,109,150	2,272,608	602,318	771,805	1,374,123
3.2.2.	Forward foreign currency sales	1,156,585	1,108,434	2,265,019	598,967	771,629	1,370,596
3.2.2.1.	Currency and interest rate swaps	30,978,513	115,422,998	146,401,511	13,620,376	74,478,250	88,098,626
3.2.2.1.1.	Currency swap purchase transactions	1,781,342	38,137,242	39,918,584	2,510,004	20,334,407	22,849,411
3.2.2.2.	Currency swap sale transactions	25,527,171	14,629,740	40,156,911	7,805,372	10,611,535	18,416,907
3.2.2.3.	Interest rate swap purchase transactions	1,835,000	31,328,008	33,163,008	1,650,000	21,766,154	23,416,154
3.2.2.4.	Interest rate swaps sale transactions	1,835,000	31,328,008	33,163,008	1,650,000	21,766,154	23,416,154
3.2.3.	Currency, interest rate and security options	576,987	759,416	1,336,403	697,904	1,784,623	2,482,527
3.2.3.1.	Currency purchase option	367,787	294,076	661,863	349,778	865,498	1,215,276
3.2.3.2.	Currency sale option	209,200	465,340	674,540	348,126	919,125	1,267,251
3.2.3.3.	Interest rate purchase options	-	-	-	-	-	-
3.2.3.4.	Interest rate sale options	-	-	-	-	-	-
3.2.3.5.	Security purchase options	-	-	-	-	-	-
3.2.3.6.	Security sale options	-	-	-	-	-	-
3.2.4.	Currency futures	-	-	-	-	-	-
3.2.4.1.	Currency purchase futures	-	-	-	-	-	-
3.2.4.2.	Currency sales futures	-	-	-	-	-	-
3.2.5.	Interest rate futures	-	-	-	-	-	-
3.2.5.1.	Interest rate purchases futures	-	-	-	-	-	-
3.2.5.2.	Interest rate sales futures	-	-	-	-	-	-
3.2.6.	Other	8,503,904	15,089,356	23,593,260	5,162,060	12,521,058	17,683,118
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>2,297,605,505</b>	<b>1,578,274,516</b>	<b>3,875,880,021</b>	<b>1,560,609,530</b>	<b>1,221,238,103</b>	<b>2,781,847,633</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>76,566,563</b>	<b>15,168,557</b>	<b>91,735,120</b>	<b>54,906,337</b>	<b>7,564,236</b>	<b>62,470,573</b>
4.1.	Customer fund and portfolio balances	2,113,691	-	2,113,691	1,907,458	-	1,907,458
4.2.	Securities held in custody	57,617,522	5,230,911	62,848,433	37,070,534	395,353	37,465,887
4.3.	Checks received for collection	8,743,308	1,190,464	9,933,772	9,579,919	1,224,880	10,804,799
4.4.	Commercial notes received for collection	6,704,176	1,084,425	7,788,601	4,883,607	1,301,631	6,185,238
4.5.	Other assets received for collection	2,152	238	2,390	2,152	211	2,363
4.6.	Securities received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	204,705	4,909,862	5,114,567	114,532	3,066,202	3,180,734
4.8.	Custodians	1,181,009	2,752,657	3,933,666	1,348,135	1,575,959	2,924,094
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>775,988,471</b>	<b>242,582,316</b>	<b>1,018,570,787</b>	<b>428,113,720</b>	<b>204,235,157</b>	<b>632,348,877</b>
5.1.	Marketable securities	299,466	44,434	343,900	355,159	9,824	364,983
5.2.	Guarantee notes	837,716	1,783,494	2,621,210	684,888	1,135,681	1,820,569
5.3.	Commodity	106,248,275	2,762,344	109,010,619	32,405,583	1,711,768	34,117,351
5.4.	Warrant	-	-	-	-	-	-
5.5.	Immovables	552,289,678	193,747,833	746,037,511	341,011,234	163,744,146	504,755,380
5.6.	Other pledged items	115,697,559	44,107,197	159,804,756	52,811,517	37,364,638	90,176,155
5.7.	Depositories receiving pledged items	615,777	137,014	752,791	845,339	269,100	1,114,439
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTIES</b>	<b>1,445,050,471</b>	<b>1,320,523,643</b>	<b>2,765,574,114</b>	<b>1,077,589,473</b>	<b>1,009,438,710</b>	<b>2,087,028,183</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>2,428,463,803</b>	<b>1,784,563,770</b>	<b>4,213,027,573</b>	<b>1,657,110,604</b>	<b>1,367,203,512</b>	<b>3,024,314,116</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS  
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	Notes	Audited Current Period January 1, 2019- December 31, 2019	Audited Current Period January 1, 2018- December 31, 2018
<b>I. INTEREST INCOME</b>	<b>V-IV-1</b>	<b>43,070,830</b>	<b>34,957,243</b>
1.1 Interest on loans	V-IV-1	35,176,932	27,902,523
1.2 Interest received from reserve deposits		295,226	389,604
1.3 Interest received from banks	V-IV-1	281,479	329,852
1.4 Interest received from money market transactions		4,532	20,725
1.5 Interest received from marketable securities portfolio	V-IV-1	7,045,289	6,090,312
1.5.1 Financial assets at fair value through profit or loss		111,381	15,143
1.5.2 Financial assets at fair value through other comprehensive income		2,211,420	1,051,007
1.5.3 Financial assets measured at amortised cost		4,722,488	5,024,162
1.6 Finance lease interest income		234,637	200,059
1.7 Other interest income		32,735	24,168
<b>II. INTEREST EXPENSES</b>	<b>V-IV-2</b>	<b>29,275,576</b>	<b>23,529,737</b>
2.1 Interest on deposits	V-IV-2	17,967,936	15,537,418
2.2 Interest on funds borrowed	V-IV-2	1,810,958	1,599,774
2.3 Interest on money market transactions		5,140,630	3,557,193
2.4 Interest on securities issued	V-IV-2	4,150,779	2,795,960
2.5 Leasing interest income		156,346	-
2.6 Other interest expenses		48,927	39,392
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>13,795,254</b>	<b>11,427,506</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>3,399,115</b>	<b>2,151,048</b>
4.1 Fees and commissions received		4,517,283	3,114,751
4.1.1 Non-cash loans		715,981	479,388
4.1.2 Other		3,801,302	2,635,363
4.2 Fees and commissions paid (-)		1,118,168	963,703
4.2.1 Non-cash loans		8,387	5,854
4.2.2 Other		1,109,781	957,849
<b>V. DIVIDEND INCOME</b>	<b>V-IV-3</b>	<b>8,682</b>	<b>50,011</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	<b>V-IV-4</b>	<b>(2,496,541)</b>	<b>822,830</b>
6.1 Profit/losses from capital market transactions	V-IV-4	499,899	158,123
6.2 Profit/losses from derivative financial transactions	V-IV-4	(3,660,970)	271,057
6.3 Foreign exchange profit/losses	V-IV-4	664,530	393,650
<b>VII. OTHER OPERATING INCOME</b>	<b>V-IV-5</b>	<b>6,581,012</b>	<b>3,945,443</b>
<b>VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>21,287,522</b>	<b>18,396,838</b>
<b>IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>V-IV-6</b>	<b>8,356,813</b>	<b>4,508,666</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>V-IV-6</b>	<b>138,349</b>	<b>596,831</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>3,141,000</b>	<b>2,452,360</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-7</b>	<b>5,213,200</b>	<b>5,205,784</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>4,438,160</b>	<b>5,633,197</b>
<b>XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>61,872</b>	<b>56,576</b>
<b>XVI. NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>V-IV-8</b>	<b>4,500,032</b>	<b>5,689,773</b>
<b>XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>V-IV-9</b>	<b>(991,203)</b>	<b>(1,085,295)</b>
18.1 Current tax provision		(1,873,816)	(840,854)
18.2 Expense effect of deferred tax (+)		(1,104,237)	(1,436,804)
18.3 Income effect of deferred tax (-)		1,986,850	1,192,363
<b>XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	<b>V-IV-10</b>	<b>3,508,829</b>	<b>4,604,478</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1 Income from assets held for sale		-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other income from discontinued operations		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3 Other expenses from discontinued operations		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current tax provision		-	-
23.2 Expense effect of deferred tax (+)		-	-
23.3 Income effect of deferred tax (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSSES (XIX+XXIV)</b>	<b>V-IV-12</b>	<b>3,508,829</b>	<b>4,604,478</b>
25.1 Group's profit/(loss)		3,369,359	4,544,278
25.2 Minority shares (-)	V-IV-13	139,470	60,200
Profit/Loss per 100 shares (full TL)	III-XXIV	1.3477	1.8177

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  
YEAR ENDED DECEMBER 31, 2019

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

<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		<b>Audited Current Period January 1, 2019- December 31, 2019</b>	<b>Audited Prior Period January 1, 2018- December 31, 2018</b>
<b>I.</b>	<b>PROFIT (LOSS)</b>	<b>3,508,829</b>	<b>4,604,478</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>1,071,845</b>	<b>392,890</b>
<b>2.1.</b>	<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>(84,199)</b>	<b>546,726</b>
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	(354,408)	226,695
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(75,694)	(13,278)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	207,492	408,438
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	138,411	(75,129)
<b>2.2.</b>	<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>1,156,044</b>	<b>(153,836)</b>
2.2.1.	Exchange Differences on Translation	100,132	102,292
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	1,231,273	(185,557)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	58,934	(102,292)
2.2.5.	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6.	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(234,295)	31,721
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>4,580,674</b>	<b>4,997,368</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

STATEMENT OF CHANGES IN SHAREHOLDERS						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity	
Audited	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6							
<b>Current Period December 31, 2019</b>																		
I.		2,500,000	724,276	-	91,433	1,218,132	(41,357)	441,729	307,342	(117,769)	(102,292)	18,245,881	5,096,704	-	28,364,079	741,674	29,105,753	
<b>II. Accounting Policy Changes Made According to TAS 8</b>																		
2.1.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Adjusted Beginning Balance (I+II)</b>																		
III.		2,500,000	724,276	-	91,433	1,218,132	(41,357)	441,729	307,342	(117,769)	(102,292)	18,245,881	5,096,704	-	28,364,079	741,674	29,105,753	
IV.		-	-	-	-	(149,980)	(64,615)	255,767	100,132	997,556	58,934	-	-	3,369,359	4,567,153	13,521	4,580,674	
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.		-	(314)	-	24,546	-	-	-	-	-	-	288,213	(562,521)	-	(250,076)	115,939	(134,137)	
<b>XI. Profit Distribution</b>																		
11.1.		-	-	-	-	-	-	-	-	-	-	4,723,042	(4,723,042)	-	-	-	-	
11.2.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3.		-	-	-	-	-	-	-	-	-	-	4,723,042	(4,723,042)	-	-	-	-	
<b>Ending Balance (I+II+...X+XI)</b>																		
		2,500,000	723,962	-	115,979	1,068,152	(105,972)	697,496	407,474	879,787	(43,358)	23,257,136	(188,859)	3,369,359	32,681,156	871,134	33,552,290	

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 YEAR ENDED DECEMBER 31, 2018**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Audited	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity
						1	2	3	4	5	6						
<b>Prior Period</b>																	
<b>December 31, 2018</b>																	
<b>I. Prior Period End Balance</b>		2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	(121,160)	-	14,805,097	3,881,265	-	22,943,968	677,103	23,621,071
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
2.1. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
<b>III. Adjusted Beginning Balance (I+II)</b>		2,500,000	724,269	-	80,404	1,046,956	(29,004)	56,141	-	40,476	-	14,805,097	4,387,867	-	23,612,206	677,103	24,289,309
<b>IV. Total Comprehensive Income</b>		-	-	-	-	171,176	(12,353)	383,241	307,342	(158,245)	(102,292)	(205,050)	-	4,544,278	4,928,097	69,271	4,997,368
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		-	7	-	11,029	-	-	2,347	-	-	-	136	(189,743)	-	(176,224)	(4,700)	(180,924)
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	3,645,698	(3,645,698)	-	-	-	-
11.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,645,698	(3,645,698)	-	-	-	-
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Ending Balance</b>		2,500,000	724,276	-	91,433	1,218,132	(41,357)	441,729	307,342	(117,769)	(102,292)	18,245,881	552,426	4,544,278	28,364,079	741,674	29,105,753

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 YEAR ENDED DECEMBER 31, 2019**

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

	Notes	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities (+)</b>		<b>4,227,641</b>	<b>6,659,487</b>
1.1.1 Interest received (+)		38,572,024	29,483,430
1.1.2 Interest paid (-)		(29,315,375)	(22,509,234)
1.1.3 Dividends received (+)		8,058	13,223
1.1.4 Fees and commissions received (+)		4,900,049	3,172,283
1.1.5 Other income (+)		1,436,108	1,398,330
1.1.6 Collections from previously written off loans and other receivables (+)		2,588,979	3,407,258
1.1.7 Cash payments to personnel and service suppliers (-)		(3,421,139)	(2,781,487)
1.1.8 Taxes paid (-)		(2,611,647)	(1,352,171)
1.1.9 Other (+/-)	V-VI-1	(7,929,416)	(4,172,145)
<b>1.2 Changes in operating assets and liabilities subject to banking operations</b>		<b>9,311,696</b>	<b>978,410</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(2,483,456)	(83,876)
1.2.2 Net decrease (increase) in due from banks (+/-)		5,186,759	(2,780,762)
1.2.3 Net decrease (increase) in loans		(58,002,787)	(39,226,440)
1.2.4 Net decrease (increase) in other assets (+/-)		(3,704,373)	(1,678,850)
1.2.5 Net increase (decrease) in bank deposits (+/-)		3,467,320	(2,728,596)
1.2.6 Net increase (decrease) in other deposits (+/-)		68,765,791	25,977,717
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 (+/-)		(232,410)	13,762,167
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	V-VI-1	(3,685,148)	7,737,050
<b>I. Net cash provided from banking operations (+/-)</b>		<b>13,539,337</b>	<b>7,637,897</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities (+/-)</b>		<b>(16,208,303)</b>	<b>(16,429,345)</b>
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(181,576)	(20,876)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures	V-VI-3	1,342	886
2.3 Cash paid for the purchase of tangible and intangible asset (-)		(446,485)	(3,051,062)
2.4 Cash obtained from the sale of tangible and intangible asset (+)		617,688	1,847,176
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(23,053,852)	(9,386,200)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		11,743,882	4,509,924
2.7 Cash paid for the purchase of financial assets at amortised cost (-)		(6,514,751)	(11,162,210)
2.8 Cash obtained from sale of financial assets at amortised cost (+)		1,664,238	841,350
2.9 Other (+/-)	V-VI-1	(38,789)	(8,333)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flows from financing activities (+/-)</b>		<b>11,836,288</b>	<b>9,803,419</b>
3.1 Cash obtained from funds borrowed and securities issued (+)		31,528,262	20,123,866
3.2 Cash outflow from funds borrowed and securities issued (-)		(19,336,122)	(10,195,447)
3.3 Equity instruments issued (+)		-	-
3.4 Dividends paid (-)		-	(125,000)
3.5 Payments for finance lease liabilities (-)		(355,852)	-
3.6 Other (+/-)		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	V-VI-1	<b>545,639</b>	<b>256,824</b>
<b>V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)</b>		<b>9,712,961</b>	<b>1,268,795</b>
<b>VI. Cash and cash equivalents at beginning of the period (+)</b>	V-VI-4	<b>21,379,500</b>	<b>20,110,705</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>	V-VI-4	<b>31,092,461</b>	<b>21,379,500</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	Notes	Current Period December 31, 2019	Prior Period December 31, 2018
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(***)</sup></b>			
<b>1.1 CURRENT YEAR'S PROFIT</b>		<b>3,612,583</b>	<b>5,153,927</b>
<b>1.2 TAXES AND LEGAL DUTIES PAYABLE</b>		<b>(810,292)</b>	<b>(999,605)</b>
1.2.1 Corporate tax (income tax)	V-IV-11	(1,715,496)	(745,141)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties <sup>(*)</sup>	V-IV-11	905,204	(254,464)
<b>A. NET PROFIT FOR THE YEAR</b>		<b>2,802,291</b>	<b>4,154,322</b>
<b>1.3 ACCUMULATED LOSSES</b>		-	-
<b>1.4 FIRST LEGAL RESERVES</b>	V-V-5	-	<b>207,716</b>
<b>1.5 OTHER STATUTORY RESERVES</b>	V-V-5	-	<b>207,716</b>
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION<sup>(**)</sup></b>		-	<b>3,738,890</b>
<b>1.6 FIRST DIVIDEND TO SHAREHOLDERS</b>		-	-
1.6.1 To owners of ordinary shares		-	-
1.6.2 To owners of privileged shares		-	-
1.6.3 To owners of redeemed shares		-	-
1.6.4 To profit sharing bonds		-	-
1.6.5 To holders of profit and loss sharing certificates		-	-
<b>1.7 DIVIDENDS TO PERSONNEL</b>		-	-
<b>1.8 DIVIDENDS TO BOARD OF DIRECTORS</b>		-	-
<b>1.9 SECOND DIVIDEND TO SHAREHOLDERS</b>		-	-
1.9.1 To owners of ordinary shares		-	-
1.9.2 To owners of privileged shares		-	-
1.9.3 To owners of redeemed shares		-	-
1.9.4 To profit sharing bonds		-	-
1.9.5 To holders of profit and loss sharing certificates		-	-
<b>1.10 SECOND LEGAL RESERVES</b>		-	-
<b>1.11 STATUS RESERVES</b>		-	-
<b>1.12 EXTRAORDINARY RESERVES</b>	V-V-5	-	<b>3,727,711</b>
<b>1.13 OTHER RESERVES</b>		-	-
<b>1.14 SPECIAL FUNDS</b>	V-V-5	-	<b>11,179</b>
<b>II. DISTRIBUTION FROM RESERVES</b>		-	-
<b>2.1 DISTRIBUTION OF RESERVES</b>		-	-
<b>2.2 SECOND LEGAL RESERVES</b>		-	-
<b>2.3 DIVIDENDS TO SHAREHOLDERS</b>		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
<b>2.4 DIVIDENDS TO PERSONNEL</b>		-	-
<b>2.5 DIVIDENDS TO BOARD OF DIRECTORS</b>		-	-
<b>III. EARNINGS PER SHARE</b>		-	-
<b>3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)</b>		<b>1.1209</b>	<b>1.6617</b>
<b>3.2 TO OWNERS OF ORDINARY SHARES (%)</b>		<b>112.09</b>	<b>166.17</b>
<b>3.3 TO OWNERS OF PRIVILEGED SHARES</b>		-	-
<b>3.4 TO OWNERS OF PRIVILEGED SHARES (%)</b>		-	-
<b>IV. DIVIDEND PER SHARE</b>		-	-
<b>4.1 TO OWNERS OF ORDINARY SHARES</b>		-	-
<b>4.2 TO OWNERS OF ORDINARY SHARES (%)</b>		-	-
<b>4.3 TO OWNERS OF PRIVILEGED SHARES</b>		-	-
<b>4.4 TO OWNERS OF PRIVILEGED SHARES (%)</b>		-	-

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

<sup>(\*\*)</sup> As of the report date, distributable net profit of the period is not shown as any decision regarding the 2019 profit distribution is not taken.

<sup>(\*\*\*)</sup> The profit distribution is based on the non-consolidated financial statements of the Parent Bank.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**SECTION THREE  
ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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

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

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

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

**Additional paragraph for convenience translation to English**

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

**Strategy for the use of financial instruments**

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

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

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

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

**Information on foreign currency transactions**

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

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 Expenses" item in equity.

The Parent Bank's foreign currency difference that occurred due to EUR 67.5 million of EUR 94.5 million represented in the paid-in capital of its foreign subsidiary VakıfBank International AG as of September 30, 2016 reporting period, Group started the fair value risk hedging strategy in order to avoid currency risk due to the share of VakıfBank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Parent Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the other accumulated comprehensive income that will be reclassified in profit or loss in equity as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2019 is TL 43,358. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of December 31, 2019, it was identified that the evaluations that were made about the process to protect from the net investment hedge were effective. Efficiency testing, which is consistent with the Parent Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

*Consolidated subsidiaries*

As at and for the year ended December 31, 2019, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As of 31 December 2019, the parent Bank has removed Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ from the Subsidiaries account and companies are started to be classified under the Non-Current Assets or Disposal Groups "Held for Sale" and "From Discontinued Operations (Net)" account. Thus, the same changes applied to the consolidated tables, where Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are removed from the scope of consolidation and now classified under the Non-Current Assets or Disposal Groups "Held for Sale" and "From Discontinued Operations (Net)" account in the balance sheet. Lastly, they have been included in the consolidated financial statements of the Group in income statement as in full consolidation method.

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

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

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

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

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

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

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

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

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



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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

As at and for the year ended December 31, 2019, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

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

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

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

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

Embedded derivative products are not separated from the articles of association and are accounted according to the standard on which the articles of association are based. As of December 31, 2019, the Bank does not have any embedded derivative financial instruments.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**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 way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**Financial Assets Measured at Amortized Cost**

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

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

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

**Derivative Financial Assets**

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

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

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

**Loans**

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

**Staging**

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

**Stage 1:**

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

**Stage 2:**

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

Stage 3:

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

**Significant Increase in Credit Risk**

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

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

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

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

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

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

**Default Definition**

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

**Write off Policy**

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

**Asset Sales Policy**

Banks that are directly or indirectly owned by the public or banks that are controlled by the public and financial institutions qualified as subsidiaries to these Banks can sell non-performing loans to asset management companies. As of December 31, 2019, the Bank has no assets on sale.

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

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

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

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

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

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

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

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

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



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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**XIII. INFORMATION ON TANGIBLE ASSETS**

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

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

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

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

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**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 Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**ACCOUNTING POLICIES (Continued)**

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

**Reserve for employee termination benefits**

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2019 is TL 6,380 (full TL) (December 31, 2018: TL 5,434 (full TL)). The Group uses actuarial method to calculate severance indemnity provision in accordance with TAS 19 - Employee Benefits.

As of December 31, 2019, and December 31, 2018, actuarial estimates used are:

	<b>Current Period – December 31, 2019</b>	<b>Prior Period – December 31, 2018</b>
Discount Rate	12.10%	15.99%
Estimated Inflation Rate	8.20%	11.27%
Increase in Real Wage Rate	9.20%	12.27%

**Other benefits to employees**

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

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

**Pension fund**

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

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

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

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

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

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

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

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

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

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

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

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

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

**Corporation tax legislation for the foreign branches**

***Bahrain (Manama)***

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

***North Iraq (Erbil)***

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

***USA (New York)***

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION (Continued)**

**Banking and Insurance Transaction Tax**

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

**Deferred taxes**

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

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

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

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

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

**Transfer Pricing**

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

**XVIII. INFORMATION ON CASH AND CASH EQUIVALENT**

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

**XIX. ADDITIONAL INFORMATION ON BORROWINGS**

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

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

The Parent Bank is not hedging about debt instruments.

**XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES**

The shares of the Parent Bank having nominal value of TL 322,000,000 (full TL), representing the 25.18% of the Bank's outstanding shares, was publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005, and TL 1,172,347 was recorded as "Share Premiums" in shareholders' equity. TL 448,429 of this amount has been utilized in capital increase on December 19, 2006.

**XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES**

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

**XXII. INFORMATION ON GOVERNMENT INCENTIVES**

As at December 31, 2019, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 197,513 (December 31, 2018: TL 168,116).

**XXIII. INFORMATION ON SEGMENT REPORTING**

An operating segment is a component of an entity:

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS**

**Earnings per shares**

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

As at and for the year ended December 31, 2019, earnings per 100 shares are full TL 1.3477 (December 31, 2018: full TL 1.8177).

**Related parties**

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

**Insurance operations**

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

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

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

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

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

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

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



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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

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

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

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

**Individual pension business**

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

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

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

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

**Classifications**

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

Interest expenses from the subordinated debt instruments presented under “Other Interest Expenses” for the period ending December 31, 2018 were reclassified under “Interest Expense on Securities Issued” as of the current period ending December 31, 2019. The income statement for the period ending December 31, 2018 is presented in accordance with the current period.

Exchange rate differences, which arise from the difference between historical and current exchange rates of certain equity accounts of Vakif International AG, that were classified under Profit Reserves in the prior periods, are classified under “Other Accumulated Comprehensive Income That Will Be Reclassified in Profit or Loss” in the current period. It is also shown in the balance sheet dated 31 December 2018 in accordance with the current period.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**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 January 1, 2019 and December 31, 2019 are presented below.

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

  

<b>December 31, 2019</b>	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
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

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

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

Short term lease contracts with a duration of 12 months or less and lease contracts for ATMs that are determined to be of low value by the Bank have been evaluated within the scope of the exemption recognized by the standard, and payments for these contracts are recorded as expense in the period they occur. In this context, 92,870 thousand TL of rent was paid in the related period.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**SECTION FOUR**

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

**I. INFORMATION ON CONSOLIDATED EQUITY ITEMS**

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

As of December 31, 2019 Group's equity amount TL 52,330,948(December 31, 2018: TL 41,522,442) and capital adequacy ratio is 16.22% (December 31, 2018: 16.47%).

**Information about the consolidated shareholder equity items**

	Amount as	
	Amount	per the regulation before 1/1/2014(*)
<b>Current Period - December 31, 2019</b>		
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,962	
Reserves	23,257,136	
Income recognized under equity in accordance with TAS	3,144,156	
Profit	3,180,500	
Current Period's Profit	3,369,359	
Prior Period's Profit	(188,859)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	115,979	
Minority shares	859,371	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>33,781,104</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	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	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>669,913</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>33,111,191</b>	
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	9,670,380	
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)	-	
<b>Additional Tier 1 Capital before deductions</b>	<b>9,670,380</b>	
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before
<u>Current Period- December 31, 2019</u>	<u>1/1/2014(*)</u>	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 Capital (AT1)</b>	9,670,380	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	42,781,571	-
<b>TIER 2 CAPITAL</b>		
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	-
<b>Tier 2 Capital Before Deductions</b>	9,554,991	-
<b>Deductions From Tier 2 Capital</b>		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	9,554,991	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	52,336,562	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	5,614	-
Other items to be defined by the BRSA (-)	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
<b>TOTAL CAPITAL</b>	52,330,948	-
Total Capital	52,330,948	-
Total Risk Weighted Amounts	322,729,325	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	10.26	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.26	-
Consolidated Capital Adequacy Ratio (%)	16.22	-
<b>BUFFERS</b>		
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 (%)	5,759	-
<b>Amounts below deduction thresholds</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Prior Period - December 31, 2018</b>		
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	724,276	
Reserves	18,245,881	
Income recognized under equity in accordance with TAS	1,881,820	
Profit	5,096,704	
Current Period's Profit	4,544,278	
Prior Period's Profit	552,426	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	91,433	
Minority shares	739,167	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>29,279,281</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	176,035	-
Leasehold Improvements on Operational Leases	218,704	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	286,511	286,511
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>681,250</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>28,598,031</b>	
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	4,993,575	
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	
Third parties' share in the Additional Tier 1 capital -	-	
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	
<b>Additional Tier 1 Capital before deductions</b>	<b>4,993,575</b>	
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's a direct or indirect investment in Tier 1 Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	1/1/2014(*)	Amount as per the regulation before
<b>Prior Period- December 31, 2018</b>			
<b>Transition from the Core Capital to Continue to deduct Components</b>			
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-	-
<b>Total Additional Tier 1 Capital</b>	<b>4,993,575</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>33,591,606</b>	-	-
<b>TIER 2 CAPITAL</b>			
Bank's borrowing instruments and related issuance premium	5,010,017	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-	-
Third parties' share in the Tier II Capital -	-	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	2,507	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,919,756	-	-
<b>Tier 2 Capital Before Deductions</b>	<b>7,932,280</b>	-	-
<b>Deductions From Tier 2 Capital</b>			
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-	-
Other Items Determined by BRSA (-)	-	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-	-
<b>Tier 2 Capital</b>	<b>7,932,280</b>	-	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>41,523,886</b>	-	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>			
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-	-
Other items to be defined by the BRSA (-)	1,444	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>			
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-
<b>TOTAL CAPITAL</b>			
Total Capital	41,522,442	-	-
Total Risk Weighted Amounts	252,126,397	-	-
<b>CAPITAL ADEQUACY RATIOS</b>			
Consolidated Core Capital Adequacy Ratio (%)	11.34	-	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.32	-	-
Consolidated Capital Adequacy Ratio (%)	16.47	-	-
<b>BUFFERS</b>			
Total buffer requirement (a+b+c)	2.644	-	-
a) Capital conservation buffer requirement (%)	1.875	-	-
b) Bank specific counter-cyclical buffer requirement (%)	0.019	-	-
c) Systemically important banks buffer requirement (%)**	0.750	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.84	-	-
<b>Amounts below deduction thresholds</b>			
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-	-
Mortgage servicing rights	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>			
General provisions for standard based receivables (before tenthousandtwentysfive limitation)	3,126,095	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,919,756	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>			
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-	-

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

**Summary information related to capital adequacy ratio**

**Current Period - December 31, 2019**

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB0043	XS1984644812	TRSVKFB92925
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
<b>Regulatory treatment</b>							
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Additional Capital Bond Issuance ( Tier I Capital)	Additional Capital Bond Issuance ( Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	488	2,780	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	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

Current 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. BRSB 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. BRSB regulation on bank’s shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent write down feature.	Has permanent write down feature.	Has permanent or temporary write down feature.	Has permanent or temporary write down feature.	Has permanent write down feature.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism.	Has no write-up mechanism.	Has no write-up mechanism.	Has write-up mechanism.	Has write-up mechanism.	Has no write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7	Possess Article 8
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7	Not Possess Article 7



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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

**Prior Period - December 31, 2018**

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB0043
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB-VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank’s shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks’ Equity
<b>Regulatory treatment</b>					
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Additional Capital Bond Issuance ( Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	651	2,632	1,202	525	4,994
Par value of instrument (in million)	3,365	2,640	1,202	525	4,994
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

**Prior Period - December 31, 2018**

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

	<b>Current Period December 31, 2019</b>	<b>Prior Period December 31, 2018</b>
Shareholders' equity	33,552,290	29,105,753
Leasehold improvements on operational leases	(194,483)	(218,704)
Goodwill and intangible assets and related deferred tax liabilities	(234,853)	(286,511)
General provision (1.25% of the amount that subject to credit risk)	3,669,673	2,919,756
Subordinated debt	15,543,935	10,003,592
Deductions from shareholders' equity	(5,614)	(1,444)
<b>Capital</b>	<b>52,330,948</b>	<b>41,522,442</b>

**II. CONSOLIDATED CREDIT RISK**

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

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

---

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

**II. CONSOLIDATED CREDIT RISK (Continued)**

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

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

The Group's largest 100 cash loan customers compose 30.29% of the total cash loan portfolio (December 31, 2018: 31.93%).

The Group's largest 100 non-cash loan customers compose 48.82% of the total non-cash loan portfolio (December 31, 2018: 49.81%).

The Group's largest 100 cash loan customers compose 19.36% of total assets of the Group and the Group's largest 100 non-cash loan customers compose 11.34% of total off-balance sheet items (December 31, 2018: 20.69% and 13.56%).

The Group's largest 200 cash loan customers compose 37.82% of the total cash loan portfolio (December 31, 2018: 39.35%).

The Group's largest 200 non-cash loan customers compose 63.27% of the total non-cash loan portfolio (December 31, 2018: 63.22%).

The Group's largest 200 cash loan customers compose 24.18% of total assets of the Group and the Bank's largest 200 non-cash loan customers compose 14.69% of total off-balance sheet items (December 31, 2018: 25.50% and 17.22%).

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Information on loan types and expected loss provisions:

Current Period 31 December 2019	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
<b>Loans</b>	<b>229,013,476</b>	<b>13,230,705</b>	<b>59,094,854</b>	<b>1,843,595</b>	<b>11,821,271</b>	<b>993,080</b>	<b>299,929,601</b>	<b>16,067,380</b>
Stage 1	181,436,133	1,314,069	55,354,636	166,583	10,512,442	143,713	247,303,211	1,624,365
Stage 2	32,952,941	1,838,978	1,648,613	93,687	312,320	31,563	34,913,874	1,964,228
Stage 3	14,624,402	10,077,658	2,091,605	1,583,325	996,509	817,804	17,712,516	12,478,787
<b>Financial Assets</b>	<b>132,026,409</b>	<b>43,897</b>	-	-	-	-	<b>132,026,409</b>	<b>43,897</b>
<b>Non Cash Loans and Commitments</b>	<b>117,369,872</b>	<b>168,114</b>	-	-	-	-	<b>117,369,872</b>	<b>168,114</b>
Stage 1	114,445,533	95,498	-	-	-	-	114,445,533	95,498
Stage 2	2,083,308	8,293	-	-	-	-	2,083,308	8,293
Stage 3	841,031	64,323	-	-	-	-	841,031	64,323
<b>Total</b>	<b>478,409,757</b>	<b>13,442,716</b>	<b>59,094,854</b>	<b>1,843,595</b>	<b>11,821,271</b>	<b>993,080</b>	<b>549,325,882</b>	<b>16,279,391</b>

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

Information on expected loss provisions for loans:

Current Period - 31 December 2019	Stage 1	Stage 2	Stage 3
Provision balance at the beginning (1 January 2019)	1,636,242	1,326,580	8,266,764
Additional provisions during the period	679,165	1,675,989	4,156,363
Disposals during the period (-)	619,064	572,567	482,092
Deleted from assets (-)	-	-	-
Transfers to stage 1	64,333	(64,126)	(207)
Transfers to stage 2	(109,512)	144,378	(34,866)
Transfers to stage 3	(26,799)	(546,026)	572,825
<b>Provision Balance at the end of the Period</b>	<b>1,624,365</b>	<b>1,964,228</b>	<b>12,478,787</b>

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL  
SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

**II. CONSOLIDATED CREDIT RISK (Continued)**

The general provision for credit risk amounts to TL 3,736,281 (December 31, 2018: TL 3,126,095)

<b>Risk Classifications:</b>	<b>Current Period Risk Amount<sup>(*)</sup></b>	<b>Average Risk Amount<sup>(*)</sup></b>
Claims on sovereigns and Central Banks	138,752,133	140,689,343
Claims on regional governments or local authorities	10,786,106	10,589,072
Claims on administrative bodies and other non-commercial undertakings	469,778	528,148
Claims on multilateral development banks	39,719	38,627
Claims on international organizations	-	-
Claims on banks and intermediary institutions	36,837,826	37,236,272
Claims on corporate	170,479,127	148,765,161
Claims included in the regulatory retail portfolios	71,262,659	64,183,428
Claims secured by residential property	61,289,648	56,312,194
Past due loans	5,234,621	3,780,485
Higher risk categories decided by the Agency	197,804	179,105
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	3,960
Stock Investments	1,780,859	1,308,368
Other claims	15,508,763	14,976,436

<sup>(\*)</sup> Before reducing the credit risk, the rate of the post credit conversion is given.

<sup>(\*\*)</sup> Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2019 period.

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

<sup>(\*)</sup> Before reducing the credit risk, the rate of the post credit conversion is given.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

**II. CONSOLIDATED CREDIT RISK (Continued)**

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

<b>Current Period- December 31, 2019</b>	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	<b>Total</b>
Domestic	133,936,502	10,786,106	466,303	-	-	12,991,051	158,541,471	71,249,090	61,226,035	5,234,621	-	-	-	-	-	285,475	15,482,207	470,198,861
EU countries	1,456,331	-	3,475	11,759	-	19,267,653	2,225,381	4,038	-	-	5,732	-	-	-	-	-	26,556	23,000,925
OECD countries (*)	71,974	-	-	-	-	115,506	-	-	-	-	-	-	-	-	-	-	-	187,480
Off-shore banking regions	-	-	-	-	-	-	7,848,407	8,030	63,263	-	-	-	-	-	-	-	-	7,919,700
USA, Canada	3,213,268	-	-	193	-	3,714,269	1,678,019	1,501	350	-	-	-	-	-	-	-	-	8,607,600
Other countries	74,058	-	-	27,767	-	695,518	185,849	-	-	-	192,072	-	-	-	-	-	-	1,175,264
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	53,829	-	-	-	-	-	-	-	-	-	1,495,384	-	1,549,213
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>138,752,133</b>	<b>10,786,106</b>	<b>469,778</b>	<b>39,719</b>	<b>-</b>	<b>36,837,826</b>	<b>170,479,127</b>	<b>71,262,659</b>	<b>61,289,648</b>	<b>5,234,621</b>	<b>197,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,780,859</b>	<b>15,508,763</b>	<b>512,639,043</b>

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

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

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

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

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

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



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (\*)

Current Period - December 31, 2019	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
<b>Agricultural</b>	228,752	147	1,846	-	-	-	629,161	1,064,158	688,130	94,677	-	-	-	-	-	-	-	2,490,087	216,784	2,706,871
<i>Farming and raising livestock</i>	220,050	147	1,846	-	-	-	600,526	978,646	672,831	93,646	-	-	-	-	-	-	-	2,392,349	175,343	2,567,692
<i>Forestry</i>	4,710	-	-	-	-	-	1,163	65,039	9,294	640	-	-	-	-	-	-	-	75,505	5,341	80,846
<i>Fishing</i>	3,992	-	-	-	-	-	27,472	20,473	6,005	391	-	-	-	-	-	-	-	22,233	36,100	58,333
<b>Manufacturing</b>	5,591,248	421,596	282	-	-	-	68,810,898	7,731,989	10,299,637	1,376,957	-	-	-	-	-	-	-	44,686,292	49,546,315	94,232,607
<i>Mining</i>	145,421	-	-	-	-	-	5,654,644	223,741	224,719	54,308	-	-	-	-	-	-	-	1,786,804	4,516,029	6,302,833
<i>Production</i>	5,364,192	-	12	-	-	-	45,180,649	7,025,394	9,687,593	849,611	-	-	-	-	-	-	-	36,714,689	31,392,762	68,107,451
<i>Electric, Gas, Water</i>	81,635	421,596	270	-	-	-	17,975,605	482,854	387,325	473,038	-	-	-	-	-	-	-	6,184,799	13,637,524	19,822,323
<b>Construction</b>	2,156,275	24	445	-	-	-	20,985,366	3,702,258	7,738,016	690,074	-	-	-	-	-	-	-	21,470,106	13,802,352	35,272,458
<b>Services</b>	89,864,551	10,361,963	166,175	39,719	-	34,234,855	45,402,775	8,986,751	10,789,581	1,134,504	197,804	-	-	-	-	285,448	-	115,468,070	85,996,056	201,464,126
<i>Wholesale and retail trade</i>	2,890	70	-	-	-	-	241,597	16,280	2,830	125	-	-	-	-	-	-	-	75,121	188,671	263,792
<i>Hotel, Food and Beverage Services</i>	480,614	13	87	-	-	-	3,761,620	1,399,832	4,794,261	790,699	-	-	-	-	-	-	-	4,262,866	6,964,260	11,227,126
<i>Transportation and Telecommunication</i>	711,851	695	14,954	-	-	-	22,250,776	4,180,573	2,492,644	179,079	-	-	-	-	-	-	-	9,328,987	20,501,585	29,830,572
<i>Financial Institutions</i>	87,836,596	-	3,510	39,719	-	34,234,855	15,267,747	699,714	310,717	22,633	197,804	-	-	-	-	285,448	-	83,159,143	55,739,600	138,898,743
<i>Real Estate and renting services</i>	184,910	-	115,270	-	-	-	2,356,360	2,130,992	2,007,634	85,243	-	-	-	-	-	-	-	5,461,535	1,418,874	6,880,409
<i>Self-employment services</i>	-	-	-	-	-	-	43,482	15,867	-	-	-	-	-	-	-	-	-	27,994	31,355	59,349
<i>Education services</i>	173,724	-	52	-	-	-	728,017	223,576	634,160	33,899	-	-	-	-	-	-	-	1,697,064	96,364	1,793,428
<i>Health and social services</i>	473,966	10,361,185	32,302	-	-	-	753,176	319,917	547,335	22,826	-	-	-	-	-	-	-	11,455,360	1,055,347	12,510,707
<b>Other</b>	40,911,307	2,376	301,030	-	-	2,602,971	34,650,927	49,777,503	31,774,284	1,938,409	-	-	-	-	-	1,495,411	15,508,763	119,789,407	59,173,574	178,962,981
<b>Total</b>	138,752,133	10,786,106	469,778	39,719	-	36,837,826	170,479,127	71,262,659	61,289,648	5,234,621	197,804	-	-	-	-	1,780,859	15,508,763	303,903,962	208,735,081	512,639,043

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (\*)

Prior Period- December 31, 2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
<b>Agricultural</b>	<b>249,374</b>	<b>456</b>	<b>3</b>	-	-	-	<b>264,670</b>	<b>665,238</b>	<b>507,652</b>	-	-	-	-	-	-	-	-	<b>1,511,214</b>	<b>176,179</b>	<b>1,687,393</b>
<i>Farming and raising livestock</i>	<i>241,698</i>	<i>456</i>	<i>3</i>	-	-	-	<i>240,245</i>	<i>620,425</i>	<i>497,290</i>	-	-	-	-	-	-	-	-	<i>1,451,685</i>	<i>148,432</i>	<i>1,600,117</i>
<i>Forestry</i>	<i>4,896</i>	-	-	-	-	-	<i>512</i>	<i>35,594</i>	<i>3,648</i>	-	-	-	-	-	-	-	-	<i>44,050</i>	<i>600</i>	<i>44,650</i>
<i>Fishing</i>	<i>2,780</i>	-	-	-	-	-	<i>23,913</i>	<i>9,219</i>	<i>6,714</i>	-	-	-	-	-	-	-	-	<i>15,479</i>	<i>27,147</i>	<i>42,626</i>
<b>Manufacturing</b>	<b>5,700,700</b>	<b>278,467</b>	<b>53,671</b>	-	-	-	<b>52,062,977</b>	<b>4,742,052</b>	<b>6,962,581</b>	-	-	-	-	-	-	-	-	<b>24,504,145</b>	<b>45,296,303</b>	<b>69,800,448</b>
<i>Mining</i>	<i>153,347</i>	-	-	-	-	-	<i>4,760,115</i>	<i>140,472</i>	<i>177,314</i>	-	-	-	-	-	-	-	-	<i>790,226</i>	<i>4,441,022</i>	<i>5,231,248</i>
<i>Production</i>	<i>5,422,654</i>	-	<i>15</i>	-	-	-	<i>30,971,546</i>	<i>4,286,845</i>	<i>6,477,584</i>	-	-	-	-	-	-	-	-	<i>19,954,645</i>	<i>27,203,999</i>	<i>47,158,644</i>
<i>Electric, Gas, Water</i>	<i>124,699</i>	<i>278,467</i>	<i>53,656</i>	-	-	-	<i>16,331,316</i>	<i>314,735</i>	<i>307,683</i>	-	-	-	-	-	-	-	-	<i>3,759,274</i>	<i>13,651,282</i>	<i>17,410,556</i>
<b>Construction</b>	<b>2,861,462</b>	<b>15</b>	<b>1,952</b>	-	-	-	<b>18,417,107</b>	<b>3,069,622</b>	<b>7,647,690</b>	-	-	-	-	-	-	-	-	<b>18,786,928</b>	<b>13,210,920</b>	<b>31,997,848</b>
<b>Services</b>	<b>90,070,273</b>	<b>9,496,627</b>	<b>237,982</b>	<b>24,044</b>	-	<b>25,825,847</b>	<b>29,748,667</b>	<b>7,207,396</b>	<b>9,920,884</b>	-	<b>168,054</b>	-	-	-	<b>1,395</b>	<b>73,217</b>	-	<b>100,459,377</b>	<b>72,315,010</b>	<b>172,774,387</b>
<i>Wholesale and retail trade</i>	<i>2,775</i>	<i>447</i>	-	-	-	-	<i>200,911</i>	<i>26,856</i>	<i>1,954</i>	-	-	-	-	-	-	-	-	<i>69,389</i>	<i>163,554</i>	<i>232,943</i>
<i>Hotel, Food and Beverage Services</i>	<i>594,240</i>	<i>11</i>	<i>15</i>	-	-	-	<i>3,390,880</i>	<i>1,023,598</i>	<i>4,446,983</i>	-	-	-	-	-	-	-	-	<i>2,754,096</i>	<i>6,701,631</i>	<i>9,455,727</i>
<i>Transportation and Telecommunication</i>	<i>785,420</i>	<i>32</i>	<i>27,904</i>	-	-	-	<i>18,437,802</i>	<i>4,057,393</i>	<i>1,830,082</i>	-	-	-	-	-	-	-	-	<i>7,993,837</i>	<i>17,144,796</i>	<i>25,138,633</i>
<i>Financial Institutions</i>	<i>87,718,759</i>	<i>36,030</i>	<i>1</i>	<i>24,044</i>	-	<i>25,825,837</i>	<i>4,655,481</i>	<i>169,249</i>	<i>1,041,133</i>	-	<i>168,054</i>	-	-	-	<i>1,395</i>	<i>73,217</i>	-	<i>74,213,510</i>	<i>45,499,691</i>	<i>119,713,201</i>
<i>Real Estate and renting services</i>	<i>235,130</i>	-	<i>76,382</i>	-	-	<i>10</i>	<i>2,045,774</i>	<i>1,484,822</i>	<i>1,557,067</i>	-	-	-	-	-	-	-	-	<i>3,954,982</i>	<i>1,444,203</i>	<i>5,399,185</i>
<i>Self-employment services</i>	<i>197</i>	-	-	-	-	-	<i>62,951</i>	<i>21,605</i>	-	-	-	-	-	-	-	-	-	<i>10,096</i>	<i>74,657</i>	<i>84,753</i>
<i>Education services</i>	<i>193,038</i>	-	<i>63</i>	-	-	-	<i>382,994</i>	<i>207,240</i>	<i>527,039</i>	-	-	-	-	-	-	-	-	<i>1,208,460</i>	<i>101,914</i>	<i>1,310,374</i>
<i>Health and social services</i>	<i>540,714</i>	<i>9,460,107</i>	<i>133,617</i>	-	-	-	<i>571,874</i>	<i>216,633</i>	<i>516,626</i>	-	-	-	-	-	-	-	-	<i>10,255,007</i>	<i>1,184,564</i>	<i>11,439,571</i>
<b>Other</b>	<b>36,543,671</b>	<b>110,975</b>	<b>257,426</b>	-	-	<b>1,043,086</b>	<b>27,720,986</b>	<b>37,911,604</b>	<b>27,842,129</b>	<b>2,862,544</b>	-	-	-	-	-	<b>1,125,316</b>	<b>14,413,521</b>	<b>101,496,520</b>	<b>48,334,737</b>	<b>149,831,257</b>
<b>Total</b>	<b>135,425,480</b>	<b>9,886,540</b>	<b>551,034</b>	<b>24,044</b>	-	<b>26,868,933</b>	<b>128,214,407</b>	<b>53,595,912</b>	<b>52,880,936</b>	<b>2,862,544</b>	<b>168,054</b>	-	-	-	<b>1,395</b>	<b>1,198,533</b>	<b>14,413,521</b>	<b>246,758,184</b>	<b>179,333,149</b>	<b>426,091,333</b>

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

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

Risk Classifications-Current Period - December 31, 2019	According to their outstanding maturities					Undistributed
	1 month	1-3 month	3-6 month	6-12 month	1 year and over	
Claims on sovereigns and Central Banks	6,154,735	1,209,763	2,761,506	3,792,488	124,833,641	-
Claims on regional governments or local authorities	3,474	128,433	37,644	330,986	10,285,569	-
Claims on administrative bodies and other non-commercial undertakings	3,038	6,198	37,413	120,176	302,953	-
Claims on multilateral development banks	-	11,759	193	-	27,767	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	8,389,341	3,203,339	2,614,530	2,224,629	20,405,987	-
Claims on corporate	14,185,162	10,290,207	10,353,311	23,487,753	112,162,694	-
Claims included in the regulatory retail portfolios	997,705	1,235,863	2,062,150	7,876,805	59,090,136	-
Claims secured by residential property	685,644	1,115,576	2,246,873	7,652,964	49,588,591	-
Past due loans	-	-	-	-	-	5,234,621
Higher risk categories decided by the Agency	17,727	19,499	6,282	2,281	152,015	-
Marketable securities secured by mortgages	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Stock Investments	3	-	-	-	1,780,856	-
Other claims	26,556	-	-	-	15,482,207	-
<b>TOTAL</b>	<b>30,463,385</b>	<b>17,220,637</b>	<b>20,119,902</b>	<b>45,488,082</b>	<b>394,112,416</b>	<b>5,234,621</b>

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Risk balances according to risk weights

Risk Weights Current Period- December 31, 2019	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	112,320,835	16,178,949	-	-	9,357,629	28,900,741	81,326,210	70,800,323	193,464,645	289,711	-	-	-	434,950
Amount after Credit Risk Mitigation	127,385,358	1,209,176	-	5,229,106	8,607,838	28,900,741	88,458,225	70,098,831	182,460,057	289,711	-	-	-	434,950

(\*) In the current period, risk weights of 2% and 4% were added to the Calculation of Capital Liability for Risks Arising from Central Counter Parties within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks in accordance with the letter of the BRSA numbered 49960598-201.01-E.1211 dated January 25, 2019.

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Information According to Sectors and Counterparties

Current Period- December 31, 2019	Impaired (TFRS 9)		
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions (TFRS 9)
<b>Agricultural</b>	<b>284,726</b>	<b>349,767</b>	<b>274,676</b>
<i>Farming and raising livestock</i>	273,274	336,327	261,237
<i>Forestry</i>	2,343	10,175	9,737
<i>Fishing</i>	9,109	3,265	3,702
<b>Manufacturing</b>	<b>8,994,661</b>	<b>4,496,624</b>	<b>3,515,468</b>
<i>Mining</i>	479,150	286,472	248,510
<i>Production</i>	5,188,551	3,245,978	2,608,531
<i>Electric, Gas, Water</i>	3,326,960	964,174	658,427
<b>Construction</b>	<b>9,673,247</b>	<b>2,258,182</b>	<b>2,072,987</b>
<b>Services</b>	<b>13,917,140</b>	<b>7,682,077</b>	<b>6,121,812</b>
<i>Wholesale and retail trade</i>	5,697,226	3,934,402	3,219,210
<i>Hotel, Food and Beverage Services</i>	632,588	1,691,403	942,945
<i>Transportation and telecommunication</i>	2,918,897	665,857	755,381
<i>Financial Institutions</i>	516,693	61,293	49,619
<i>Real estate and renting services</i>	1,883,696	217,174	288,954
<i>Self-employment services</i>	1,672,287	901,220	682,412
<i>Education services</i>	368,256	94,643	74,419
<i>Health and social services</i>	227,497	116,085	108,872
<b>Other</b>	<b>2,044,100</b>	<b>2,925,866</b>	<b>2,458,072</b>
<b>Total</b>	<b>34,913,874</b>	<b>17,712,516</b>	<b>14,443,015</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Information on Changes in Value Adjustments and Credit Provisions

Current Period December 31, 2019	Opening Balance 1 January 2019	Provisions reserved during the period	Cancelations	Other Adjustments <sup>(*)</sup>	Closing Balance
Provisions (stage 3)	8,298,299	5,269,614	(1,005,000)	(19,803)	12,543,110
Provisions (stage 1-2)	3,126,095	3,074,180	(2,296,167)	(167,827)	3,736,281

<sup>(\*)</sup> Includes effect of currency translations differences and other provisions' classifications.

Prior Period December 31, 2018	Opening Balance (before IFRS 9)	Remeasurements	Opening Balance (after IFRS 9) 1 January 2018	Provisions reserved during the period	Cancelations	Other Adjustments <sup>(*)</sup>	Closing Balance
Provisions (stage 3)	6,908,432	(679,383)	6,229,049	3,073,899	(938,450)	(66,199)	8,298,299
Provisions (stage 1-2)	1,885,493	641,898	2,527,391	1,434,767	(801,200)	(34,863)	3,126,095

<sup>(\*)</sup> Includes effect of currency translations differences and other provisions' classifications

Fair value of collateral held against impaired loans

	Current Period December 31, 2019	Prior Period - December 31, 2018
Cash collateral <sup>(*)</sup>	-	-
Mortgage	7,441,090	4,688,013
Promissory note <sup>(*)</sup>	-	-
Others <sup>(**)</sup>	10,271,426	6,441,295
<b>Total</b>	<b>17,712,516</b>	<b>11,129,308</b>

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

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

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

Cash loans	Current Period- December 31, 2019	Prior Period - December 31, 2018
<b>Secured Loans:</b>	<b>214,685,773</b>	<b>177,119,503</b>
Secured by mortgages	57,759,069	50,382,823
Secured by cash collateral	1,701,967	1,326,416
Guarantees issued by financial institutions	888,161	491,853
Secured by government institutions or government securities	24,744,773	24,387,795
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	129,591,803	100,530,616
<b>Unsecured Loans</b>	<b>67,531,312</b>	<b>51,630,976</b>
<b>Total performing loans</b>	<b>282,217,085</b>	<b>228,750,479</b>
<b>Non-cash loans</b>	<b>Current Period- December 31, 2019</b>	<b>Prior Period - December 31, 2018</b>
<b>Secured Loans:</b>	<b>44,610,715</b>	<b>36,850,380</b>
Secured by mortgages	5,576,009	4,239,700
Secured by cash collateral	639,016	236,830
Guarantees issued by financial institutions	363,401	211,207
Secured by government institutions or government securities	396,293	666,677
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	37,635,996	31,495,966
<b>Unsecured Loans</b>	<b>33,669,602</b>	<b>29,178,617</b>
<b>Total performing loans</b>	<b>78,280,317</b>	<b>66,028,997</b>

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

II. CONSOLIDATED CREDIT RISK (Continued)

Exposures subject to countercyclical capital buffer

Current Period – December 31, 2019

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	256,546,323	-	256,546,323
Bahrain	7,775,599	-	7,775,599
France	2,552,378	-	2,552,378
USA	2,502,813	-	2,502,813
England	2,235,770	-	2,235,770
Switzerland	1,095,437	-	1,095,437
Germany	953,355	-	953,355
Austria	631,625	-	631,625
Netherlands	670,850	-	670,850
Iraq	376,547	-	376,547
Other	2,231,667	-	2,231,667
<b>Total</b>	<b>277,572,364</b>	<b>-</b>	<b>277,572,364</b>

Prior Period - December 31, 2018

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

**III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK**

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

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

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

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

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

**Foreign exchange risk management policy**

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

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

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

	<b>US Dollar</b>	<b>Euro</b>
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	<b>5.9550</b>	<b>6.6812</b>
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	5.9418	6.6530
Day 2	5.9577	6.6466
Day 3	5.9347	6.5857
Day 4	5.9400	6.5936
Day 5	5.9488	6.5928
	<b>US Dollar</b>	<b>Euro</b>
<b>Last 30-days arithmetical average rate</b>	<b>5.8266</b>	<b>6.4623</b>



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period- December 31, 2019	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	19,144,059	13,282,548	1,690,111	34,116,718
Banks	629,446	4,616,819	966,113	6,212,378
Financial assets at fair value through profit or loss	-	112,041	2,017,593	2,129,634
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5,980,441	2,146,504	-	8,126,945
Loans <sup>(1) (2)</sup>	47,408,263	48,601,745	96,652	96,106,660
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	5,319,607	6,690,612	-	12,010,219
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,307	10,110	-	11,417
Intangible assets	304	-	-	304
Other assets <sup>(3)</sup>	2,754,942	5,797,040	2,596	8,554,578
<b>Total assets</b>	<b>81,238,372</b>	<b>81,257,419</b>	<b>4,773,065</b>	<b>167,268,856</b>
<i>Liabilities:</i>				
Bank deposits	3,046,176	2,368,286	307,637	5,722,099
Other deposits	45,883,568	53,882,333	6,366,405	106,132,306
Interbank money market takings	2,431,228	3,167,566	-	5,598,794
Other funding	17,140,789	25,629,015	7,114	42,776,918
Securities issued <sup>(4)</sup>	8,224,043	22,082,012	-	30,306,055
Miscellaneous payables	937,494	399,726	230	1,337,450
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(5)</sup>	476,198	2,997,192	11,579	3,484,969
<b>Total liabilities</b>	<b>78,139,496</b>	<b>110,526,130</b>	<b>6,692,965</b>	<b>195,358,591</b>
<b>Net ‘on balance sheet’ position</b>	<b>3,098,876</b>	<b>(29,268,711)</b>	<b>(1,919,900)</b>	<b>(28,089,735)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>(1,473,866)</b>	<b>23,197,295</b>	<b>1,937,708</b>	<b>23,661,137</b>
Derivative assets <sup>(6)</sup>	8,297,016	32,111,731	2,728,069	43,136,816
Derivative liabilities <sup>(6)</sup>	9,770,882	8,914,436	790,361	19,475,679
Non-cash loans <sup>(7)</sup>	18,482,281	21,259,341	468,769	40,210,391
<b>Prior Period - December 31, 2018</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	62,455,615	73,341,619	5,752,290	141,549,524
Total liabilities	60,799,734	82,130,493	3,894,501	146,824,728
Net ‘on balance sheet’ position	1,655,881	(8,788,874)	1,857,789	(5,275,204)
Net ‘off-balance sheet’ position	(1,126,627)	10,790,769	(1,848,448)	7,815,694
Derivative assets <sup>(6)</sup>	12,125,172	36,297,298	1,775,373	50,197,843
Derivative liabilities <sup>(6)</sup>	13,251,799	25,506,529	3,623,821	42,382,149
Non-cash loans <sup>(7)</sup>	11,249,674	16,729,404	423,623	28,402,701

<sup>(1)</sup> Foreign currency indexed loans amounting to TL 1,201,801 (December 31, 2018: TL 2,798,062) which are presented in TL column in the balance sheet are included in the table above.

<sup>(2)</sup> Foreign currency indexed factoring receivables amounted to TL 244,250 (December 31, 2018: TL 64,047) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(3)</sup> Prepaid expenses amounting to TL 129,290 (December 31, 2018: TL 147,130) and derivative financial assets resulting from currency exchange rate discounts amounting to TL 128,610 (December 31, 2018: TL 65,978) are not included.

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

<sup>(5)</sup> Unearned revenues amounting to TL 211,672 (December 31, 2018: TL 276,692) , deferred tax liability amounting to TL 30,758 (December 31, 2018: TL 681 ) currency-induced discounts arising from derivatives transactions amounting to TL 60,881 (December 31, 2018: 103,841) TL and equities amounting to TL 978,782 (December 31, 2018: TL 572,000) are not included.

<sup>(6)</sup> Asset purchase commitments amounting to TL 2,203,998 (December 31, 2018: TL 795,287) and asset sales commitments amounting to TL 3,357,796 (December 31, 2018: TL 1,457,340) are included.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10% depreciation of the TL against the following currencies as at and for the year ended December 31, 2019 and December 31, 2018 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

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

	Current Period- December 31, 2019		Prior Period- December 31, 2018	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(608,153)	(608,153)	199,177	199,177
Euro	162,340	237,569	52,717	138,861
Other currencies	1,781	1,781	934	934
<b>Total, net (**)</b>	<b>(444,032)</b>	<b>(368,803)</b>	<b>252,828</b>	<b>338,972</b>

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

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

10% appreciation of the TL against the following currencies as at and for the year ended December 31, 2019 and December 31, 2018 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- December 31, 2019		Prior Period- December 31, 2018	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	608,153	608,153	(199,177)	(199,177)
Euro	(162,340)	(237,569)	(52,717)	(138,861)
Other currencies	(1,781)	(1,781)	(934)	(934)
<b>Total, net (**)</b>	<b>444,032</b>	<b>368,803</b>	<b>(252,828)</b>	<b>(338,972)</b>

(\*) 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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

IV. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

Current Period- December 31, 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	339,913	-	-	-	-	36,164,679	36,504,592
Banks	3,303,790	603,035	329,183	-	-	1,982,490	6,218,498
Financial assets at fair value through profit/loss	199	-	2,019,711	-	-	288,022	2,307,932
Interbank money market placements	14,535	-	-	-	-	-	14,535
Financial assets at fair value through other comprehensive income	2,262,635	1,985,624	7,692,370	8,212,306	5,629,310	18,054	25,800,299
Loans <sup>(*)</sup>	78,288,213	38,401,850	85,452,931	52,678,243	27,290,137	17,818,227	299,929,601
Financial assets measured at amortized cost	9,120,723	4,987,724	12,906,825	13,666,366	6,332,995	-	47,014,633
Other assets <sup>(**)</sup>	629,914	721,430	266,623	2,253,453	746,922	10,632,697	15,251,039
<b>Total assets</b>	<b>93,959,922</b>	<b>46,699,663</b>	<b>108,667,643</b>	<b>76,810,368</b>	<b>39,999,364</b>	<b>66,904,169</b>	<b>433,041,129</b>
<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 <sup>(***)</sup>	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 <sup>(****)</sup>	569,198	764,191	81,040	2,033,618	1,066,200	46,883,209	51,397,456
<b>Total liabilities</b>	<b>172,836,569</b>	<b>75,044,675</b>	<b>29,191,811</b>	<b>39,526,000</b>	<b>9,403,044</b>	<b>107,039,030</b>	<b>433,041,129</b>
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)
<b>Net position</b>	<b>(76,340,772)</b>	<b>(23,540,171)</b>	<b>79,268,048</b>	<b>36,942,545</b>	<b>28,657,586</b>	<b>(40,134,861)</b>	<b>4,852,375</b>

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

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

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

<sup>(\*\*\*\*)</sup> Equity is included in “non-interest” bearing column in other liabilities line.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

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

(\*) 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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

IV. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period- December 31, 2019	Euro	US Dollar	Yen	TL
	%	%	%	%
<b>Assets:</b>				
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
<b>Liabilities:</b>				
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
<b>Prior Period - December 31, 2018</b>				
	Euro	US Dollar	Yen	TL
	%	%	%	%
<b>Assets:</b>				
Cash and balance with CBRT	-	2.00	-	13.00
Banks	1.57	2.70	-	23.75
Financial assets at fair value through profit/loss	-	11.82	-	19.55
Interbank money market placements	-	-	-	24.28
Financial assets at fair value through other comprehensive income	1.90	6.69	-	16.41
Loans	5.51	8.04	-	21.07
Financial assets measured at amortized cost	5.05	6.62	-	16.49
<b>Liabilities:</b>				
Bank deposits	1.75	4.03	-	23.50
Other deposits	2.23	4.45	-	19.90
Interbank money market takings	1.00	3.43	-	23.68
Miscellaneous payables	-	-	-	-
Securities issued (**)	2.93	6.36	-	16.00
Funds borrowed	1.94	4.67	-	17.77

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

V. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

Current Period- December 31, 2019	Comparison		
	Carrying Value	Fair Value <sup>(*)</sup>	Market Value <sup>(*)</sup>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>437,619</b>	<b>437,619</b>	<b>437,619</b>
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	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>1,347,016</b>	<b>1,283,227</b>	<b>1,283,227</b>

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

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

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

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

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

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

V. CONSOLIDATED STOCK POSITION RISK (Continued)

Explanations on Equity Shares Risk Arising from Banking Book

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

  

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

VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

Liquidity risk is defined as the risk of not fulfilling payment liabilities on time as a result of not having adequate cash or cash inflow to meet the cash outflow properly due to imbalance in cash flows of the Parent Bank. The framework of liquidity risk of the Group is specified with Liquidity Risk Management Document. In the framework of liquidity risk management, policies regarding liquidity risk management are written down by Risk Management Department and fundamental principles, analyses regarding measurement and monitoring risk, basic rudiments on early warning indicators, liquidity buffer and limits are included.

The Group is managing liquidity risk according to risk capacity and the Group’s risk appetite in the range envisioned by the regulations. Liquidity risk management approach is in general based on the principle of monitoring in-day liquidity risk. The Group monitors the net liquidity position and liquidity requirements continuously and facing the future. The Group takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Group (in consideration of market and funding liquidity) scenario and susceptibility analyses are performed and assumptions based on these analyses are reviewed regularly. It is aimed to protect the optimum liquidity level that can meet short – term liquidity needs not to remain inactive and maintain profitability – risk balance.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

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

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



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

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

Liquidity Coverage Ratio

Current Period- December 31, 2019		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			70,761,044	42,276,476
<b>CASH OUTFLOWS</b>					
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	<b>TOTAL CASH OUTFLOWS</b>	-	-	<b>98,210,628</b>	<b>33,856,729</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>50,033,928</b>	<b>36,491,868</b>	<b>43,634,345</b>	<b>34,836,807</b>
<b>Upper Limit Applied Values</b>					
21	<b>TOTAL HQLA</b>			<b>70,761,044</b>	<b>42,276,476</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>54,576,283</b>	<b>8,464,182</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>129.87</b>	<b>502.33</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

*Liquidity Coverage Ratio*

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

<b>Current Period – December 31, 2019</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and over</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets:</b>								
Cash and balance with CBRT	36,504,592	-	-	-	-	-	-	36,504,592
Banks	1,982,490	3,303,790	603,035	329,183	-	-	-	6,218,498
Financial assets at fair value through profit/loss	6,498	199	-	2,019,711	-	-	281,524	2,307,932
Interbank money market placements	-	14,535	-	-	-	-	-	14,535
Financial assets at fair value through other comprehensive	-	462,781	420,311	2,872,227	14,679,372	7,347,554	18,054	25,800,299
Loans	105,711	23,122,619	10,298,864	42,720,416	126,456,615	79,512,860	17,712,516	299,929,601
Financial assets measured at amortized cost	-	1,463,828	829,371	3,041,103	26,517,326	15,163,005	-	47,014,633
Other assets (**)	253,856	2,551,914	83,243	299,729	3,364,283	1,158,936	7,539,078	15,251,039
<b>Total assets</b>	<b>38,853,147</b>	<b>30,919,666</b>	<b>12,234,824</b>	<b>51,282,369</b>	<b>171,017,596</b>	<b>103,182,355</b>	<b>25,551,172</b>	<b>433,041,129</b>
<b>Liabilities:</b>								
Bank deposits	651,040	6,416,799	3,135,429	311,986	-	-	-	10,515,254
Other deposits	50,691,697	139,084,998	35,371,137	16,941,117	1,484,719	41,826	-	243,615,494
Funds borrowed	-	2,023,543	5,090,388	18,150,754	10,686,150	9,112,849	-	45,063,684
Interbank money market takings	-	21,550,539	2,749,500	383,796	740,233	-	-	25,424,068
Securities issued (***)	-	2,219,364	3,621,254	655,942	29,799,985	12,196,964	-	48,493,509
Miscellaneous payables	-	6,028,086	-	-	-	-	2,503,578	8,531,664
Other liabilities	118,508	873,392	1,738,682	177,237	91,101	2,383,684	46,014,852	51,397,456
<b>Total liabilities</b>	<b>51,461,245</b>	<b>178,196,721</b>	<b>51,706,390</b>	<b>36,620,832</b>	<b>42,802,188</b>	<b>23,735,323</b>	<b>48,518,430</b>	<b>433,041,129</b>
<b>Liquidity gap</b>	<b>(12,608,098)</b>	<b>(147,277,055)</b>	<b>(39,471,566)</b>	<b>14,661,537</b>	<b>128,215,408</b>	<b>79,447,032</b>	<b>(22,967,258)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>27,305</b>	<b>(191,471)</b>	<b>151,653</b>	<b>2,228,450</b>	<b>1,454,064</b>	<b>-</b>	<b>3,670,001</b>
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	<b>41,170,276</b>	<b>2,903,572</b>	<b>6,295,723</b>	<b>15,338,280</b>	<b>10,264,800</b>	<b>1,960,156</b>	<b>347,510</b>	<b>78,280,317</b>
<b>Prior Period – December 31, 2018</b>								
Total assets	31,939,707	29,442,815	10,717,315	46,876,080	122,983,741	80,672,351	22,006,451	344,638,460
Total liabilities	36,813,946	133,090,599	38,824,335	35,796,723	39,635,422	11,437,783	49,039,652	344,638,460
<b>Liquidity gap</b>	<b>(4,874,239)</b>	<b>(103,647,784)</b>	<b>(28,107,020)</b>	<b>11,079,357</b>	<b>83,348,319</b>	<b>69,234,568</b>	<b>(27,033,201)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>(18,521)</b>	<b>106,118</b>	<b>396,112</b>	<b>2,851,166</b>	<b>407,765</b>	<b>-</b>	<b>3,742,640</b>
Receivables from Derivative Financial Instruments	-	10,693,888	1,692,537	4,265,904	24,324,945	16,398,541	-	57,375,815
Payables from Derivative Financial Instruments	-	10,712,409	1,586,419	3,869,792	21,473,779	15,990,776	-	53,633,175
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,713,980	7,067,292	1,137,888	433,979	66,028,997

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

VII. CONSOLIDATED LEVERAGE RATIO

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

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 7.91%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2018: 7.50%). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period- December 31, 2019	Prior Period- December 31, 2018
Total asset amount in the consolidated financial statements prepared as per TAS <sup>(1)</sup>	393,975,792	344,879,298
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks <sup>(1)</sup>	67,110	240,838
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	(6,824,151)	(4,433,639)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	25,973,911	25,122,669
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	50,501,837	54,283,204
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	(174,715,489)	(125,285,736)
<b>Total risk amount</b>	<b>502,688,588</b>	<b>393,163,314</b>

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

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

Leverage ratio common disclosure template

	Current Period December 31, 2019 <sup>(*)</sup>	Prior Period December 31, 2018 <sup>(*)</sup>
<b>On-balance sheet exposures</b>		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	422,674,445	341,611,734
2. Assets deducted in determining Basel III Tier 1 capital	(471,945)	(498,291)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	422,202,500	341,113,443
<b>Derivative financial instruments and loan derivatives</b>		
4. Replacement cost	4,111,062	4,856,647
5. Add-on amount	1,510,272	948,387
6. Total derivative exposures	5,621,334	5,805,034
<b>Securities financing transaction exposures</b>		
7. Gross SFT assets (with no recognition of accounting netting)	3,092,305	4,467,510
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	3,092,305	4,467,510
<b>Other off-balance sheet exposures</b>		
10. Off-balance sheet exposures with gross nominal amount	154,462,559	133,891,351
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(55,296,687)	(46,071,519)
12. Total off-balance sheet exposures	99,165,872	87,819,832
<b>Capital and total exposures</b>		
13. Tier 1 capital	41,900,813	32,931,165
14. Total exposures	530,082,011	439,205,819
<b>Leverage ratio</b>		
15. Leverage ratio	7.91	7.50

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

<b>Current Period - December 31, 2019</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial Assets:</b>		
Receivables from Interbank Money Markets	14,535	14,535
Banks	6,218,498	6,218,498
Financial Assets at Fair Value through Other Comprehensive Income	25,800,299	25,800,299
Financial Assets Measured at Amortised Cost	47,014,633	48,467,373
Loans	299,929,601	285,530,787
<b>Financial Liabilities:</b>		
Bank Deposits	10,515,254	10,515,254
Other Deposits	243,615,494	243,782,620
Funds Borrowed	45,063,684	45,206,749
Marketable Securities	29,248,056	29,965,918
Subordinated Loans	19,245,453	18,737,926
<b>Prior Period- December 31, 2018</b>		
<b>Financial Assets:</b>		
Receivables from Interbank Money Markets	6,839	6,839
Banks	6,704,108	6,704,108
Financial Assets at Fair Value through Other Comprehensive Income	10,872,434	10,872,434
Financial Assets Measured at Amortised Cost	39,980,510	36,328,383
Loans	228,650,201	225,023,936
<b>Financial Liabilities:</b>		
Bank Deposits	7,064,493	7,064,493
Other Deposits	175,411,216	175,137,004
Funds Borrowed	45,432,857	45,322,174
Marketable Securities	22,772,491	22,685,896
Subordinated Loans	13,022,023	13,103,514

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

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

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

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

*Classification of Fair Value Measurement*

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

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

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

Classification requires using observable market data if possible.

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

<b>Current Period-December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:	2,138,449	-	169,483	2,307,932
<i>Debt securities</i>	2,017,791	-	-	2,017,791
<i>Equity securities</i>	115,844	-	169,483	285,327
<i>Other financial assets</i>	4,814	-	-	4,814
Financial assets at fair value through other comprehensive income	25,226,363	570,014	3,924	25,800,301
<i>Government debt securities</i>	24,100,606	-	-	24,100,606
<i>Equity securities</i>	14,131	-	3,924	18,055
<i>Other financial assets</i>	1,111,624	570,014	-	1,681,638
Investments in affiliates and subsidiaries <sup>(*)</sup>	433,869	-	988,070	1,421,939
<b>Total Financial Assets</b>	<b>27,798,681</b>	<b>570,014</b>	<b>1,161,477</b>	<b>29,530,172</b>
Financial liabilities at fair value through profit/loss:				
<i>Derivative financial liabilities at fair value through profit or loss</i>	-	(3,311,997)	-	(3,311,997)
<b>Total Financial Liabilities</b>	-	<b>(3,311,997)</b>	-	<b>(3,311,997)</b>

<sup>(\*)</sup> Fair values of the subsidiaries with fair values that are observable and not based on market data is calculated by independent valuation institutions using various methods (discounted cash flows and dividend method, adjusted net asset value method, peer comparison, realized company acquisitions and mergers). Depending on the changes in the assumptions used by independent valuation institutions in determining the fair value, the carrying value of the subsidiaries and affiliates may change.

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

<sup>(\*)</sup> Fair values of the subsidiaries with fair values that are observable and not based on market data is calculated by independent valuation institutions using various methods (discounted cash flows and dividend method, adjusted net asset value method, peer comparison, realized company acquisitions and mergers). Depending on the changes in the assumptions used by independent valuation institutions in determining the fair value, the carrying value of the subsidiaries and affiliates may change.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended December 31, 2019 is as follows:

<b>Level 3</b>	<b>Current Period - December 31, 2019</b>	<b>Prior Period- December 31, 2018</b>
Balance at the beginning of the year	791,708	291,668
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	369,769	500,040
<b>Balance at the end of the year</b>	<b>1,161,477</b>	<b>791,708</b>

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

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

X. CONSOLIDATED SEGMENT REPORTING

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

X. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

<b>Current Period- December 31, 2019</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	8,613,951	22,914,049	11,510,095	32,735	43,070,830
Interest Expense	9,345,908	8,414,827	11,483,580	31,261	29,275,576
Net Interest Income/Losses(Net)	(731,957)	14,499,222	26,515	1,474	13,795,254
Net Fees and Commissions Income	979,427	2,079,082	340,606	-	3,399,115
Trading Income/ Losses (Net)	-	-	8,682	-	8,682
Dividend Income	-	-	(2,496,541)	-	(2,496,541)
Other Income	-	-	-	6,581,012	6,581,012
Allowance for Expected Credit Losses and Other Provision Expenses	1,383,104	6,439,788	616,397	55,873	8,495,162
Other Expenses	-	-	-	8,354,200	8,354,200
Based on Equity Method	-	-	61,872	-	61,872
<b>Profit Before Taxes</b>	<b>(1,135,634)</b>	<b>10,138,516</b>	<b>(2,675,263)</b>	<b>(1,827,587)</b>	<b>4,500,032</b>
Provision for taxes	-	-	-	-	(991,203)
<b>Net Profit/ Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,508,829</b>
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
<b>TOTAL ASSETS</b>	<b>68,112,914</b>	<b>174,348,959</b>	<b>170,101,622</b>	<b>20,477,634</b>	<b>433,041,129</b>
Segment Liabilities	112,872,965	133,752,512	130,739,892	22,123,470	399,488,839
Equity	-	-	-	33,552,290	33,552,290
<b>TOTAL LIABILITIES</b>	<b>112,872,965</b>	<b>133,752,512</b>	<b>130,739,892</b>	<b>55,675,760</b>	<b>433,041,129</b>
<b>Prior Period- December 31, 2018</b>					
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	7,140,628	17,997,327	9,795,120	24,168	34,957,243
Interest Expense	8,341,245	7,055,595	7,863,112	269,785	23,529,737
Net Interest Income/Losses(Net)	(1,200,617)	10,941,732	1,932,008	(245,617)	11,427,506
Net Fees and Commissions Income	737,963	1,189,016	233,480	-	2,160,459
Trading Income/ Losses (Net)	-	-	50,011	-	50,011
Dividend Income	-	-	822,830	-	822,830
Other Income	-	-	-	3,945,443	3,945,443
Allowance for Expected Credit Losses and Other Provision Expenses	687,608	4,338,334	17,327	-	5,043,269
Other Expenses	-	-	-	7,729,783	7,729,783
Based on Equity Method	-	-	56,576	-	56,576
<b>Profit Before Taxes</b>	<b>(1,150,262)</b>	<b>7,792,414</b>	<b>3,077,578</b>	<b>(4,029,957)</b>	<b>5,689,773</b>
Provision for taxes	-	-	-	-	(1,085,295)
<b>Net Profit/ Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,604,478</b>
Segment Assets	51,672,411	129,189,702	146,062,741	16,588,317	343,513,171
Subsidiaries and Associates (Net)	-	-	1,125,289	-	1,125,289
<b>TOTAL ASSETS</b>	<b>51,672,411</b>	<b>129,189,702</b>	<b>147,188,030</b>	<b>16,588,317</b>	<b>344,638,460</b>
Segment Liabilities	92,194,464	86,307,021	116,881,672	20,149,550	315,532,707
Equity	-	-	-	29,105,753	29,105,753
<b>TOTAL LIABILITIES</b>	<b>92,194,464</b>	<b>86,307,021</b>	<b>116,881,672</b>	<b>49,255,303</b>	<b>344,638,460</b>



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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

**XI. INFORMATION ON RISK MANAGEMENT**

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

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

**Risk Management Strategy**

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

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

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

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period December 31, 2019	Prior Period December 31, 2018	Current Period December 31, 2019
<b>1 Credit Risk (excluding counterparty credit risk) <sup>(*)</sup></b>	<b>287,730,822</b>	<b>228,487,742</b>	<b>23,018,466</b>
2 Standardised approach	287,730,822	228,487,742	23,018,466
3 Internal rating based approach	-	-	-
<b>4 Counterparty Credit Risk</b>	<b>5,843,023</b>	<b>5,091,337</b>	<b>467,442</b>
5 Standardised approach for counterparty credit risk	5,843,023	5,091,337	467,442
6 Internal model method	-	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	<b>-</b>	<b>-</b>	<b>-</b>
8 Equity investments in funds - look-through approach	-	1,395	-
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - 1250% weighted risk approach	-	-	-
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
<b>16 Market risk</b>	<b>7,395,606</b>	<b>1,409,588</b>	<b>591,648</b>
17 Standardised approach	7,395,606	1,409,588	591,648
18 Internal model approaches	-	-	-
<b>19 Operational Risk</b>	<b>21,759,874</b>	<b>17,136,335</b>	<b>1,740,790</b>
20 Basic Indicator Approach	21,759,874	17,136,335	1,740,790
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
<b>23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24 Floor adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>322,729,325</b>	<b>252,126,397</b>	<b>25,818,346</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

2. Linkages between Financial statements and Regulatory Exposures

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

Current Period- December 31, 2019	Carrying values as reported in published financial statements prepared as TAS	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
<b>Assets</b>						
Cash and balances at central bank	36,504,592	36,504,592	-	-	-	-
Banks	6,218,498	6,218,498	-	-	-	-
Receivables from Money Markets	14,535	-	29	-	14,506	-
Financial assets at fair value through profit or loss	2,307,932	281,524	-	-	615,649	-
Financial assets at fair value through other comprehensive income	25,800,299	25,800,299	4,443,499	-	-	-
Financial assets measured at amortised cost	47,014,633	47,014,633	21,285,023	-	-	-
Derivative financial assets	4,507,228	-	4,507,228	-	224,230	-
Non-performing financial assets	17,712,516	17,712,516	-	-	-	-
Allowance for expected credit losses (-)	(16,081,800)	(12,478,787)	-	-	-	(3,603,013)
Loans (Net)	282,217,085	282,211,471	-	-	-	5,614
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	7,696,995	7,696,995	-	-	-	-
Investments in associates (Net)	1,138,783	1,138,783	-	-	-	-
Leasing receivables	342,470	342,470	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Tangible Assets (Net)	3,040,967	2,846,484	-	-	-	194,483
Intangible Assets And Goodwill (Net)	238,059	-	-	-	-	238,059
Investment properties (net)	608,990	-	-	-	-	-
Currents Tax Assets (Net)	-	-	-	-	-	-
Deferred Tax Assets	801,616	801,616	-	-	-	-
Other assets	12,957,731	12,987,208	-	-	-	(29,477)
<b>Total assets</b>	<b>433,041,129</b>	<b>429,078,302</b>	<b>30,235,779</b>	<b>-</b>	<b>854,385</b>	<b>(3,194,334)</b>
<b>Liabilities</b>						
Deposits	254,130,748	-	-	-	-	254,130,748
Loans Received	45,063,684	-	-	-	-	45,063,684
Money Market Funds	25,424,068	-	24,603,857	-	-	820,211
Marketable Securities (Net)	29,248,056	-	-	-	-	29,248,056
Funds	3,053	-	-	-	-	3,053
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	3,311,997	-	3,311,997	-	224,230	-
Factoring Payables	2,372	-	-	-	-	2,372
Lease Payables	935,938	-	-	-	-	935,938
Provisions	2,258,927	-	-	-	-	2,258,927
Current Tax Liabilities	1,141,991	-	-	-	-	1,141,991
Deferred Tax Assets	31,990	-	-	-	-	31,990
Liabilities Related to Non-Current Assets "Held for Sale" and "Discontinued Operations" (Net)	5,372,200	-	-	-	-	5,372,200
Subordinated debts	19,245,453	-	-	-	-	19,245,453
Other Liabilities	13,318,362	-	-	-	-	13,318,362
Shareholders' Equity	33,552,290	-	-	-	-	33,552,290
<b>Total liabilities</b>	<b>433,041,129</b>	<b>-</b>	<b>27,915,854</b>	<b>-</b>	<b>224,230</b>	<b>405,125,275</b>

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

2. Linkages between Financial statements and Regulatory Exposures (Continued)

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

	Carrying values as reported in published financial statements prepared as TAS	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
<b>Prior Period - December 31, 2018</b>						
<b>Assets</b>						
Cash and balances at central bank	32,491,457	32,491,457	-	-	-	-
Financial assets held for trading	6,704,108	6,704,108	-	-	-	-
Financial assets designated at fair value through profit or loss	6,839	-	-	-	-	-
Banks	224,505	217,884	-	-	6,621	-
Receivables from money markets	10,872,434	10,732,964	2,496,293	-	139,470	-
Available for sale financial assets (net)	39,980,510	39,980,510	29,029,809	-	-	-
Loans and receivables	4,413,383	-	4,413,383	-	148,414	-
Factoring receivables	11,129,308	11,129,308	-	-	-	-
Held to maturity investments (net)	(11,241,887)	(8,266,764)	-	-	-	(2,975,123)
Investments in associates (net)	228,750,479	228,749,035	-	-	-	1,444
Investments in subsidiaries (net)	1,568,113	1,568,113	-	-	-	-
Investments in joint ventures (net)	805,409	805,409	-	-	-	-
Leasing receivables	319,880	319,880	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	2,844,506	2,625,802	-	-	-	218,704
Intangible assets (net)	286,511	-	-	-	-	286,511
Investment properties (net)	607,400	-	-	-	-	-
Tax assets	2	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	188,968	188,968	-	-	-	-
Other assets	14,686,535	14,710,472	-	-	-	(23,937)
<b>Total assets</b>	<b>344,638,460</b>	<b>341,957,146</b>	<b>35,939,485</b>	<b>-</b>	<b>294,505</b>	<b>(2,492,401)</b>
<b>Liabilities</b>						
Deposits	182,475,709	-	-	-	-	182,475,709
Derivative financial liabilities held for trading	45,432,857	-	-	-	-	45,432,857
Loans	29,123,872	-	28,539,924	-	-	583,948
Debt to money markets	22,772,491	-	-	-	-	22,772,491
Debt securities in issue	3,054	-	-	-	-	3,054
Funds	-	-	-	-	-	-
Various debts	2,552,248	-	2,552,248	-	148,413	-
Other liabilities	903	-	-	-	-	903
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	5,828,655	-	-	-	-	5,828,655
Derivative financial liabilities held for hedges	857,164	-	-	-	-	857,164
Provisions	31,721	-	-	-	-	31,721
Tax liability	1,546	-	-	-	-	1,546
Liabilities included in disposal groups classified as held for sale (net)	13,022,023	-	-	-	-	13,022,023
Subordinated debts	13,430,464	-	-	-	-	13,430,464
Equity	29,105,753	-	-	-	-	29,105,753
<b>Total liabilities</b>	<b>344,638,460</b>	<b>-</b>	<b>31,092,172</b>	<b>-</b>	<b>148,413</b>	<b>313,546,288</b>

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Current Period- December 31, 2019		Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	436,235,463	429,078,302	-	30,235,779	854,385
2	Liabilities carrying value amount under regulatory scope of consolidation	27,915,854	-	-	27,915,854	(224,230)
3	Total net amount under regulatory scope of consolidation	408,319,609	429,078,302	-	2,319,925	630,155
4	Off-balance sheet amounts	-	-	-	5,533,807	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	25,331,365	-
10	Exposure amounts considered for regulatory	408,319,609	429,078,302	-	30,865,172	630,155

Prior Period- December 31, 2018		Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	347,130,861	341,957,146	-	35,939,485	294,505
2	Liabilities carrying value amount under regulatory scope of consolidation	31,092,172	-	-	31,092,172	(148,413)
3	Total net amount under regulatory scope of consolidation	316,038,689	341,957,146	-	4,847,313	146,092
4	Off-balance sheet amounts	-	-	-	5,228,916	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	1,414,385	-
10	Exposure amounts considered for regulatory	316,038,689	341,957,146	-	6,643,301	146,092

c) Explanations of differences between accounting and regulatory exposure amounts

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

**3. Credit Risk Explanations**

**a) General Information on Credit Risk**

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

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

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

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

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit Quality of Assets

Current Period December 31, 2019	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	17,712,516	282,217,085	16,067,380	283,862,221
2 Debt Securities	-	73,092,800	13,542	73,079,258
3 Off-balance sheet exposure	689,503	125,174,474	57,760	125,806,217
<b>4 Total</b>	<b>18,402,019</b>	<b>480,484,359</b>	<b>16,138,682</b>	<b>482,747,696</b>

  

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

Changes in Stock of Defaulted Loans and Debt Securities<sup>(\*)</sup>

	Current Period- December 31, 2019	Prior Period December 31, 2018
<b>1 Defaulted Loans and debt securities at end of the previous reporting period</b>	<b>11,129,308</b>	<b>7,943,186</b>
2 Loans and debt securities that have defaulted since the last reporting period	9,216,769	6,649,099
3 Returned to non-defaulted status	14,992	6,764
4 Amounts written-off	-	61,382
5 Other Changes	(2,618,569)	(3,394,831)
<b>6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>17,712,516</b>	<b>11,129,308</b>

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

Additional disclosure related to the credit quality of assets

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

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

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

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

*Breakdown of receivables in terms of geographic regions*

Credit receivables/risks	Current Period December 31, 2019	Prior Period December 31, 2019
Domestic	258,452,758	209,453,985
European Union Countries	2,391,138	733,234
OECD Countries <sup>(*)</sup>	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,643,305	1,924,528
Other	19,729,884	16,638,732
<b>Toplam</b>	<b>282,217,085</b>	<b>228,750,479</b>

<sup>(\*)</sup> OECD Countries other than EU countries, USA and Canada

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

*Breakdown of loan receivables by sector*

**Current Period- December 31, 2019**

<b>Breakdown of loan receivables by sector</b>	<b>Cash Loans</b>	<b>Impaired Loans</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>2,281,748</b>	<b>349,767</b>	<b>259,533</b>
Farming and raising livestock	2,230,181	336,327	247,228
Forestry	20,712	10,175	9,394
Fishing	30,855	3,265	2,911
<b>Manufacturing</b>	<b>70,106,672</b>	<b>4,496,624</b>	<b>3,046,889</b>
Mining and Quarrying	5,999,807	286,472	227,230
Production	48,221,655	3,245,978	2,330,128
Electricity, Gas, Water	15,885,210	964,174	489,531
<b>Construction</b>	<b>26,340,031</b>	<b>2,258,182</b>	<b>1,568,251</b>
<b>Services</b>	<b>106,302,207</b>	<b>7,682,077</b>	<b>5,186,709</b>
Wholesale and Retail Trade	38,409,929	3,934,402	2,879,944
Accommodation and Dining	9,026,757	1,691,403	908,995
Transportation and Telecommunication	34,381,429	665,857	503,079
Financial Institutions	7,712,653	61,293	39,445
Real Estate and Rental Services	11,208,036	217,174	148,569
Professional Services	2,554,064	901,220	555,177
Educational Services	1,768,423	94,643	57,209
Health and Social Services	1,240,916	116,085	94,291
<b>Other</b>	<b>77,186,427</b>	<b>2,925,866</b>	<b>2,417,405</b>
<b>Total</b>	<b>282,217,085</b>	<b>17,712,516</b>	<b>12,478,787</b>

**Prior Period- December 31, 2018**

<b>Breakdown of loan receivables by sector</b>	<b>Cash Loans</b>	<b>Impaired Loans</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>1,669,369</b>	<b>263,864</b>	<b>187,054</b>
Farming and raising livestock	1,613,427	250,429	175,462
Forestry	10,742	9,912	8,737
Fishing	45,200	3,523	2,855
<b>Manufacturing</b>	<b>52,582,342</b>	<b>2,241,670</b>	<b>1,682,839</b>
Mining and Quarrying	4,571,678	194,057	147,181
Production	33,884,453	2,031,587	1,522,131
Electricity, Gas, Water	14,126,211	16,026	13,527
<b>Construction</b>	<b>25,799,135</b>	<b>1,244,569</b>	<b>898,168</b>
<b>Services</b>	<b>86,824,366</b>	<b>4,072,268</b>	<b>2,895,292</b>
Wholesale and Retail Trade	33,059,323	2,637,366	1,927,627
Accommodation and Dining	8,650,664	173,345	120,236
Transportation and Telecommunication	26,460,693	461,921	346,566
Financial Institutions	5,183,265	23,539	18,657
Real Estate and Rental Services	8,938,636	243,646	134,857
Professional Services	2,439,502	387,163	242,170
Educational Services	1,182,019	44,868	29,722
Health and Social Services	910,264	100,420	75,457
<b>Other</b>	<b>61,875,267</b>	<b>3,306,937</b>	<b>2,603,411</b>
<b>Total</b>	<b>228,750,479</b>	<b>11,129,308</b>	<b>8,266,764</b>



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

*Breakdown by outstanding maturity*

**Current Period - December 31, 2019**

Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
105,711	23,122,619	10,298,864	42,720,416	126,456,615	79,512,860	282,217,085

**Prior Period - December 31, 2018**

Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
-	21,932,592	7,133,228	41,970,263	94,205,987	63,508,409	228,750,479

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

*Breakdown by of provision allocated receivables by geographical area*

**Current Period - December 31, 2019**

Geographical area	Loans Receivables(Risks)	Provisions
Domestic	17,533,873	12,336,051
European Union Countries	141,143	131,859
OECD Countries <sup>(*)</sup>	-	-
Off-Shore Banking Regions	-	-
USA, Canada	37,036	10,413
Other	464	464
<b>Total</b>	<b>17,712,516</b>	<b>12,478,787</b>

<sup>(\*)</sup> OECD Countries other than EU countries, USA and Canada.

**Prior Period- December 31, 2018**

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

<sup>(\*)</sup> OECD Countries other than EU countries, USA and Canada.

**Aging analysis for overdue receivables**

	Current Period- December 31, 2019	Prior Period- December 31, 2018
31-60 days overdue	3,444,831	2,291,111
61-90 days overdue	2,184,192	1,865,347

<sup>(\*)</sup> Loan receivables with overdue loans are taken into consideration.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Payment Plan Extensions	Current Period- December 31, 2019	Prior Period- December 31, 2018
Standard Loans	336,348	1,266,637
Loans Under Close Monitoring	14,909,593	6,916,542
Non-performing Loans	1,001,259	273,455

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

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

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

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

Credit Risk Mitigation Techniques

		Exposures unsecured: carrying amount prepared as per TAS	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
<b>Current Period - December 31, 2019</b>								
1	Loans	195,627,585	88,234,636	59,449,229	29,251,607	24,769,379	-	-
2	Debt Securities	73,079,258	-	-	-	-	-	-
3	<b>Total</b>	<b>268,706,843</b>	<b>88,234,636</b>	<b>59,449,229</b>	<b>29,251,607</b>	<b>24,769,379</b>	-	-
4	Of which Defaulted	17,712,516	-	-	-	-	-	-

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

c) Credit risk under Standardized approach

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

*Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects*

Current Period - December 31, 2019		Exposures before Credit Conversion Factors and CRM		Exposures post Credit Conversion Factors and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	124,886,775	961,301	134,245,383	520,484	14,907,918	11%
2	Exposures to regional governments or local authorities	10,466,717	644,167	10,466,717	315,989	5,390,069	50%
3	Exposures to public sector entities	339,538	278,023	339,538	129,094	462,372	99%
4	Exposures to multilateral development banks	27,767	11,952	27,767	11,952	27,767	70%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	14,123,885	5,629,053	14,123,886	3,674,586	7,503,529	42%
7	Exposures to corporates	131,355,928	102,026,766	121,997,320	39,912,962	159,052,084	98%
8	Retail exposures	66,413,612	38,019,282	66,413,612	4,359,210	52,617,348	74%
9	Exposures secured by residential property	28,414,657	1,186,556	28,414,657	486,084	10,115,259	35%
10	Exposures secured by commercial real estate	29,333,342	4,389,453	29,333,342	3,055,565	20,134,270	62%
11	Past-due loans	5,234,621	-	5,234,621	-	3,050,715	58%
12	Higher-risk categories by the Agency Board	151,421	54,967	151,421	46,383	296,706	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	15,508,763	-	15,508,763	-	12,391,926	80%
17	Investment in equities	1,780,859	-	1,780,859	-	1,780,859	100%
18	<b>Total</b>	<b>428,037,885</b>	<b>153,201,520</b>	<b>428,037,886</b>	<b>52,512,309</b>	<b>287,730,822</b>	<b>60%</b>

  

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period December 31, 2019	Asset Classes/ Risk Weight*	0%	10%	20%	35% secured by real estate	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	105,276,897	-	-	-	29,223,517	-	204,040	61,413	-	-	-	134,765,867
2	Exposures to regional governments or local authorities	2,464	-	175	-	10,780,067	-	-	-	-	-	-	10,782,706
3	Exposures to public sector entities	5,716	-	680	-	-	-	462,236	-	-	-	-	468,632
4	Exposures to multilateral development banks	11,952	-	-	-	-	-	27,767	-	-	-	-	39,719
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	630,633	-	4,526,456	-	12,086,289	-	555,094	-	-	-	-	17,798,472
7	Exposures to corporates	889,336	-	468,577	-	3,188,002	-	157,364,367	-	-	-	-	161,910,282
8	Retail exposures	387,446	-	312,151	-	-	70,073,225	-	-	-	-	-	70,772,822
9	Exposures secured by residential property	-	-	-	28,900,741	-	-	-	-	-	-	-	28,900,741
10	Exposures secured by commercial real estate	-	-	-	-	24,509,275	-	7,879,632	-	-	-	-	32,388,907
11	Past-due loans	-	-	-	-	4,398,306	-	805,821	30,494	-	-	-	5,234,621
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	197,804	-	-	-	197,804
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	-	1,780,859	-	-	-	-	1,780,859
17	Investments in equities	2,613,385	-	629,315	-	-	-	12,266,063	-	-	-	-	15,508,763
18	<b>Total</b>	<b>109,817,829</b>	<b>-</b>	<b>5,937,354</b>	<b>28,900,741</b>	<b>84,185,456</b>	<b>70,073,225</b>	<b>181,345,879</b>	<b>289,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>480,550,195</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

**4. Counterparty Credit Risk Explanations**

*Qualitative disclosure on counterparty credit risk*

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty credit risk (CCR) approach analysis

Current Period- December 31, 2019		Renewal cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	4,141,762	1,392,045			5,533,807	2,981,840
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method (for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					25,331,365	1,343,104
5	A comprehensive method for credit risk reduction-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					14,500	135
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	<b>Total</b>						<b>4,325,079</b>

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

Capital requirement for credit valuation adjustment (CVA)

Current Period - December 31, 2019		EAD post CRM	RWA
<b>Total portfolios subject to the Advanced CVA capital obligation</b>		-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,533,807	1,492,063
4	<b>Total subject to the CVA capital obligation</b>	<b>5,533,807</b>	<b>1,492,063</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

Current Period – December 31, 2019

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures <sup>(*)</sup>
Claims from central governments and central banks	3,864,219	-	-	-	122,047	-	-	-	-	61,024
Claims from regional and local governments	-	3,385	14	-	-	-	-	-	-	341
Claims from administration and non commercial entity	-	1,124	-	-	-	-	22	-	-	134
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	11,286,007	-	2,670,470	-	4,150,722	-	215,468	-	716,688	2,839,257
Corporates	2,251,432	4,956,078	-	-	-	-	898,689	-	462,646	1,403,550
Retail portfolios	165,869	268,519	-	-	-	25,607	-	-	29,842	46,654
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17,567,527</b>	<b>5,229,106</b>	<b>2,670,484</b>	<b>-</b>	<b>4,272,769</b>	<b>25,607</b>	<b>1,114,179</b>	<b>-</b>	<b>1,209,176</b>	<b>4,350,960</b>

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

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



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Prior Period - December 31, 2018

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

*Collaterals for counterparty credit risk*

Current Period December 31, 2019	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	19,976,812	-
Cash-foreign currency	-	-	-	-	6,181,384	-
Domestic sovereign debts	-	-	-	-	-	14,506
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>26,158,196</b>	<b>14,506</b>

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

*Loan Derivatives*

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	Protection bought	Protection sold	Protection bought	Protection sold
<b>Notionals</b>				
Single-name credit default swaps	1,090,254	2,263,507	190,159	502,138
Index credit default swaps	-	-	-	-
Total return swaps	-	-	-	-
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
<b>Total Notionals</b>	<b>1,090,254</b>	<b>2,263,507</b>	<b>190,159</b>	<b>502,138</b>
<b>Fair Values</b>	<b>145,639</b>	<b>498,926</b>	<b>33,188</b>	<b>136,768</b>
Positive fair values (asset)	145,639	-	33,188	-
Negative fair values (liability)	-	498,926	-	136,768

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

Current Period - December 31, 2019		Exposure at default (post-CRM)	RWA
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		25,881
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions);	1,209,176	24,183
	of which		
3	(i) OTC Derivatives	207,874	4,157
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	1,001,302	20,026
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	650,000	1,698
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund	-	-
	contributions); of which		
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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

5. Explanations on Securitizations

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

6. Explanations on Market Risk

*Qualitative disclosure requirements related to market risk*

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

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

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

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

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

*Market Risk - Standardised approach*

		Current Period December 31, 2019	Prior Period December 31, 2018
		RWA	RWA
<b>Outright products</b>			
1	Interest rate risk (general and specific)	1,145,162	827,863
2	Stock risk (general and specific)	125,038	13,242
3	Foreign exchange risk	6,124,400	564,944
4	Commodity risk	-	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	1,006	3,539
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>7,395,606</b>	<b>1,409,588</b>

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

XI. INFORMATION ON RISK MANAGEMENT (Continued)

7. Explanations on Operational Risk

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

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

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

Current Period December 31, 2019	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	9,438,300	10,624,126	14,753,373	11,605,266	15	1,740,790
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	21,759,874

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

8. Interest Rate Risk Related to Banking Book

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

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

Current Period December 31, 2019	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(3,460,645)/2,719,186	(6.69%) / 5.26%
2	EURO	200/(200)	(1,109,163) / 50,912	(2.15%) / 0.10%
3	USD	200/(200)	(132,261) / 340,663	(0.26%) / 0.66%
Total (for negative shocks)			-	3,110,761
Total (for positive shocks)			-	(4,702,069)

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Cash	1,450,320	1,013,138	1,455,938	889,991
Central Bank of the Republic of Turkey <sup>(*)</sup>	529,120	32,733,306	3,393,478	25,750,911
Other	408,434	370,274	616,952	384,187
<b>Total</b>	<b>2,387,874</b>	<b>34,116,718</b>	<b>5,466,368</b>	<b>27,025,089</b>

<sup>(\*)</sup> TL 11,454,725 (December 31, 2018: TL 13,916,246) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 1.0% to 7.0%. (December 31, 2018: ranging from 1.5% to 8.0%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 5% to 21% in US Dollar or Euro (December 31, 2018: ranging from 4% to 20%). 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 - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Unrestricted demand deposits	324,724	21,278,581	3,278,383	9,268,217
Restricted demand deposits	189,108	-	-	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	2,566,448
Reserve Deposits	15,288	11,454,725	115,095	13,916,246
<b>Total</b>	<b>529,120</b>	<b>32,733,306</b>	<b>3,393,478</b>	<b>25,750,911</b>

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

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

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

*Trading securities subject to repurchase agreements*

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

*Positive differences on derivative financial assets*

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Forward transactions	64,165	1,418	77,316	7,772
Swap transactions	3,524,230	914,521	3,953,573	370,502
Futures	-	-	-	-
Options	205	2,689	192	4,028
Other	-	-	-	-
<b>Total</b>	<b>3,588,600</b>	<b>918,628</b>	<b>4,031,081</b>	<b>382,302</b>

The company has entered into extinguishing cross-currency interest rate swaps. These swap arrangements provide that, on the occurrence of certain credit-related events in relation to the company (such as failure to make a payment), the swap arrangements may immediately terminate with no further payments due and payable by either party. At December 31, 2019, the fair value of such swaps is 45,566 TL with a total outstanding notional amount of 100 million USD. The average maturity of such swaps is 4,5 years.

3. Information on banks

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Banks				
Domestic	6,119	427,951	562,559	1,476,672
Foreign	1	5,784,427	923	4,663,954
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>6,120</b>	<b>6,212,378</b>	<b>563,482</b>	<b>6,140,626</b>

*Due from foreign banks*

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	Unrestricted Balance	Restricted Balances <sup>(**)</sup>	Unrestricted Balance	Restricted Balances <sup>(**)</sup>
EU Countries	688,892	-	1,568,328	-
USA, Canada	4,107,537	588,136	2,106,922	584,868
OECD Countries <sup>(*)</sup>	44,882	-	35,875	-
Off-shore Banking	291	-	1,459	-
Regions				
Others	354,690	-	367,425	-
<b>Total</b>	<b>5,196,292</b>	<b>588,136</b>	<b>4,080,009</b>	<b>584,868</b>

<sup>(\*)</sup> EU countries, OECD countries except USA and Canada.

<sup>(\*\*)</sup> Restricted balances that occur from securitisation loans and other common banking activities

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	397,624	2,528,365	91,730	46,690
Other	-	-	-	-
<b>Total</b>	<b>397,624</b>	<b>2,528,365</b>	<b>91,730</b>	<b>46,690</b>

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

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Government bonds	2,894,007	-	2,466,748	-
Treasury bills	-	-	-	-
Other debt securities	-	1,549,492	-	29,545
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>2,894,007</b>	<b>1,549,492</b>	<b>2,466,748</b>	<b>29,545</b>

*Information on financial assets at fair value through other comprehensive income*

	Current Period- December 31, 2019		Prior Period- December 31, 2018	
<b>Debt securities</b>		<b>25,790,926</b>		<b>11,045,816</b>
Quoted on a Stock Exchange		25,790,926		11,045,816
Unquoted		-		-
<b>Equity securities</b>		<b>18,055</b>		<b>3,451</b>
Quoted on a Stock Exchange		-		-
Unquoted		18,055		3,451
<b>Provisions for impairment losses (-)</b>		<b>8,682</b>		<b>176,833</b>
<b>Total</b>		<b>25,800,299</b>		<b>10,872,434</b>

5. Information on loans

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

	Current Period		Prior Period	
	December 31, 2019		December 31, 2018	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>				<b>44,668</b>
Legal entities	-	-	-	44,668
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>				
<b>Loans provided to the employees</b>	<b>323,645</b>	<b>36</b>	<b>173,151</b>	<b>40</b>
<b>Total</b>	<b>323,645</b>	<b>36</b>	<b>173,151</b>	<b>44,708</b>



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5. Information on loans (Continued)

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

**Current Period - December 31, 2019**

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>245,127,249</b>	<b>16,790,004</b>	<b>1,152,718</b>	<b>13,756,875</b>
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
<b>Specialized lending</b>	-	-	-	-
<b>Other receivables</b>	<b>2,175,962</b>	<b>3,214,277</b>	-	-
<b>Total</b>	<b>247,303,211</b>	<b>20,004,281</b>	<b>1,152,718</b>	<b>13,756,875</b>

All creditors, including the Parent Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi AŞ, a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by LYY Telekomünikasyon AŞ as of December 21, 2018. The Parent Bank participated LYY Telekomünikasyon AŞ with a 4.2559% share. At the Ordinary General Assembly Meeting of LYY dated September 23, 2019, it was decided that a portion of the loan would be converted to capital and added to the capital of LYY. In this context, the nominal value of the Bank's shares in LYY increased from TL 2 to TL 169,483. This amount is presented under “Financial assets at fair value through profit or loss” in the financial statements. As of December 31, 2019, the amount is TL 802,278 (December 31, 2018: TL 788,795) and the provision is TL 65,100 (December 31, 2018: TL 4,242).

**Prior Period - December 31, 2018**

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

5. Information on loans (Continued)

<b>Current Period - December 31, 2019</b>	<b>Standard Loans</b>	<b>Loans under close monitoring</b>
12-Month expected credit losses	1,624,365	-
Significant Increase in Credit Risk	-	1,964,228

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

*Maturity analysis of cash loans*

<b>Current Period - December 31, 2019</b>	<b>Loans under close monitoring</b>		
	<i>Standard loans</i>	<i>Loans not Subject to Restructuring</i>	<i>Agreement conditions modified</i>
Short-term Loans	57,634,156	6,026,145	1,592,206
Medium, Long-term Loans	189,669,055	13,978,136	13,317,387

<b>Prior Period - December 31, 2019</b>	<b>Loans under close monitoring</b>		
	<i>Standard loans</i>	<i>Loans not Subject to Restructuring</i>	<i>Agreement conditions modified</i>
Short-term Loans	53,339,815	3,323,384	828,119
Medium, Long-term Loans	154,846,109	10,313,139	6,099,913

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - December 31, 2019	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>988,803</b>	<b>52,052,993</b>	<b>53,041,796</b>
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	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	<b>4,177</b>	<b>4,177</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,108	2,108
Other	-	2,069	2,069
<b>Retail credit cards – TL</b>	<b>8,274,740</b>	<b>83,237</b>	<b>8,357,977</b>
With instalment	3,547,519	78,731	3,626,250
Without instalment	4,727,221	4,506	4,731,727
<b>Retail credit cards – FC</b>	<b>20,464</b>	-	<b>20,464</b>
With instalment	-	-	-
Without instalment	20,464	-	20,464
<b>Personnel loans – TL</b>	<b>15,222</b>	<b>204,352</b>	<b>219,574</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	15,222	204,352	219,574
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>103,355</b>	<b>245</b>	<b>103,600</b>
With instalment	37,687	195	37,882
Without instalment	65,668	50	65,718
<b>Personnel credit cards – FC</b>	<b>471</b>	-	<b>471</b>
With instalment	-	-	-
Without instalment	471	-	471
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>3,737,396</b>	-	<b>3,737,396</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>307</b>	-	<b>307</b>
<b>Total</b>	<b>13,140,758</b>	<b>52,345,004</b>	<b>65,485,762</b>

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Installment based commercial loans and corporate credit cards*

Current Period - December 31, 2019	Short-Term	Medium and Long-Term	Total
<b>Instalment-based commercial loans – TL</b>	<b>2,035,959</b>	<b>62,592,816</b>	<b>64,628,775</b>
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	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>-</b>	<b>875,810</b>	<b>875,810</b>
Real estate loans	-	-	-
Automobile loans	-	50,396	50,396
General purpose loans	-	825,414	825,414
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>454,346</b>	<b>17,712,633</b>	<b>18,166,979</b>
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
<b>Corporate credit cards – TL</b>	<b>2,326,315</b>	<b>13,189</b>	<b>2,339,504</b>
With instalment	684,418	11,672	696,090
Without instalment	1,641,897	1,517	1,643,414
<b>Corporate credit cards – FC</b>	<b>2,746</b>	<b>-</b>	<b>2,746</b>
With instalment	-	-	-
Without instalment	2,746	-	2,746
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,335,373</b>	<b>-</b>	<b>1,335,373</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>6,154,739</b>	<b>81,194,448</b>	<b>87,349,187</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Allocation of loan customers<sup>(\*)</sup>*

	Current Period- December 31, 2019	Prior Period- December 31, 2018
Public Sector	7,749,313	5,573,448
Private Sector	274,467,772	223,177,031
<b>Total</b>	<b>282,217,085</b>	<b>228,750,479</b>

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

*Allocation of domestic and overseas loans<sup>(\*)</sup>*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Domestic loans	278,063,831	227,499,403
Foreign loans	4,153,254	1,251,076
<b>Total</b>	<b>282,217,085</b>	<b>228,750,479</b>

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

*Loans to associates and subsidiaries*

	Current Period - December 31, 2019	Prior Period- December 31, 2018
Direct loans to associates and subsidiaries	117	85
Indirect loans to associates and subsidiaries	-	-
<b>Total</b>	<b>117</b>	<b>85</b>

*Specific provisions accounted for loans (Stage 3)*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Loans and receivables with limited collectability	1,601,851	712,622
Loans and receivables with doubtful collectability	1,849,517	1,161,870
Uncollectible loans and receivables	9,027,419	6,392,272
<b>Total</b>	<b>12,478,787</b>	<b>8,266,764</b>

*Information on non-performing loans (Net)*

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
<b>Current period - December 31, 2019</b>			
Gross Amounts Before The Reserves	667,501	466,418	598,108
Loans Which Are Restructured	667,501	466,418	598,108
<b>Prior period - December 31, 2018</b>			
Gross Amounts Before The Reserves	96,659	196,424	228,364
Loans Which Are Restructured	96,659	196,424	228,364

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With</b>	<b>Loans With</b>	<b>Uncollectible</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Loans</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Loans</b>
<b>Current Period - December 31, 2019</b>			
<b>Balance at the beginning of the period</b>	<b>1,626,189</b>	<b>2,131,185</b>	<b>7,371,934</b>
Additions (+)	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 (-) <sup>(*)</sup>	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
<b>Balance at the end of the period</b>	<b>3,203,134</b>	<b>3,492,946</b>	<b>11,016,436</b>
Provision (-)	1,601,851	1,849,517	9,027,419
<b>Net balance</b>	<b>1,601,283</b>	<b>1,643,429</b>	<b>1,989,017</b>

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2019</b>			
Balance at the end of the period	1,380,333	1,446,485	1,438,214
Provision (-)	697,528	736,988	1,147,063
<b>Net balance on balance sheet</b>	<b>682,805</b>	<b>709,497</b>	<b>291,151</b>
<b>Prior Period - December 31, 2018</b>			
Balance at the end of the period	274,287	155,259	831,298
Provision (-)	134,690	73,129	716,577
<b>Net balance on balance sheet</b>	<b>139,597</b>	<b>82,130</b>	<b>114,721</b>

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2019</b>			
<b>Current Period (Net)</b>	<b>1,601,283</b>	<b>1,643,429</b>	<b>1,989,017</b>
Consumer and Commercial Loans (Gross)	3,201,330	3,492,881	10,983,288
Provision (-)	1,600,054	1,849,462	8,994,285
<b>Consumer and Commercial Loans (Net)</b>	<b>1,601,276</b>	<b>1,643,419</b>	<b>1,989,003</b>
Banks (Gross)	-	-	1,551
Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	1,804	65	31,597
Provision (-)	1,797	55	31,583
<b>Other Loans and Receivables (Net)</b>	<b>7</b>	<b>10</b>	<b>14</b>

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



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
<b>Current Period (Net) - December 31, 2019</b>			
Interest accruals and valuation differences	269,253	304,122	747,230
Provision (-)	134,980	163,251	502,001
<b>Prior Period (Net) - December 31, 2018</b>			
Interest accruals and valuation differences	166,028	186,428	62,724
Provision (-)	81,121	101,688	39,017

6. Information on financial assets measured at amortized cost

*Information on measured at amortized cost government debt securities*

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Government bonds	34,945,546	7,498,362	32,326,808	4,618,016
Treasury bills	-	-	-	-
Other securities issued by the governments	-	4,202,218	-	2,795,010
<b>Total</b>	<b>34,945,546</b>	<b>11,700,580</b>	<b>32,326,808</b>	<b>7,413,026</b>

*Information on financial assets measured at amortized cost*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
<b>Debt Securities</b>	<b>47,014,633</b>	<b>39,980,510</b>
Quoted at stock exchanges	46,895,460	39,895,439
Unquoted at stock exchanges	119,173	85,071
<b>Impairment losses (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>47,014,633</b>	<b>39,980,510</b>

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

	Current Period December 31, 2019	Prior Period December 31, 2018
<b>Balances at the beginning of the period</b>	<b>39,980,510</b>	<b>16,766,071</b>
Foreign currency differences on monetary assets	950,424	1,144,459
Purchases during the period	6,514,751	11,162,210
IFRS 9 Classification (**)	-	7,656,572
Disposals through sales/redemptions	(1,664,238)	(841,350)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	1,233,186	4,092,548
<b>Balances at the end of the period</b>	<b>47,014,633</b>	<b>39,980,510</b>

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

(\*\*) In the previous period, the Group has applied the transition to the management model for certain government debt securities as a financial asset measured at amortized cost within the transition to TFRS 9. Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

<b>Current Period - December 31, 2019</b>	<b>Cost</b>		<b>Carrying Value</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
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 <sup>(*)</sup>	12,407,756	1,873,915	14,909,319	1,907,820
<b>Total</b>	<b>27,735,614</b>	<b>11,755,519</b>	<b>35,004,414</b>	<b>12,010,219</b>

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Investments in associates

*Unconsolidated investments in associates*

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	7,295,789	1,912,489	1,274,059	24,608	-	415,038	(238,103)	6,636,818
2	151,277	91,498	70,415	5,102	-	26,624	15,953	-
3	384,403	220,221	245,937	11,258	-	22,180	41,206	-
4	146,887	(93,164)	88,100	1	-	(17,998)	(30,795)	-
5	153,203	(134,908)	77,437	8	-	(39,741)	(66,071)	-
6	14,878,333	2,176,680	128,641	584,078	19,708	506,418	323,776	-
7	672,050	627,215	22,866	43,353	-	96,130	101,243	-
8	37,971	33,542	2,128	5,480	-	6,177	2,365	-
9	1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements 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 1,441,081	92,661	7,938	145,349	5,338	4,532	2,462	-
2 42,253,011	5,178,989	1,099,533	2,642,580	670,421	730,504	670,756	3,420,572

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

*Movement of consolidated investments in associates*

	Current Period December 31, 2019	Prior Period December 31, 2018
<b>Balance at the beginning of the period</b>	<b>196,867</b>	<b>302,959</b>
<b>Movements during the period</b>	<b>100,396</b>	<b>(106,092)</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	33,510
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	100,396	-
Impairment losses	-	(139,602)
<b>Balance at the end of the period</b>	<b>297,263</b>	<b>196,867</b>
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  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Sectoral distribution of consolidated investments and associates*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Banks	297,263	196,867
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>297,263</b>	<b>196,867</b>

*Quoted associates*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Quoted at domestic stock exchanges	286,644	186,248
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>286,644</b>	<b>186,248</b>

*Investments in associates disposed during the period*

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

*Subsidiaries purchased in the current period*

In the current period, the Parent Bank participated in Platform Ortak Kartlı Sistemler AŞ, which was established with a capital of TL 21,000. The nominal share of the Parent Bank in the Company is TL 7,000 and its share rate is 33.33%. The Parent Bank is required to pay one quarter of its shares in cash and the remaining three quarters within 24 months of the Company's registration. Transactions regarding the establishment of the Company were registered in the trade registry on 23 September 2019. As of 31 December 2019, the Bank paid one quarter of its share and shares amounting to TL 1,750 are presented under Purchases in the movement table of investments in associates.

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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 YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

*Information on significant subsidiaries*

	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
<b>Current Period - December 31, 2019</b>						
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	-	28,099	(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	(16,646)	38,984	110,248	10,351	(1,731)
<i>Prior Period's Profit/Loss</i>	342	(83,464)	2,136	(12,702)	14,255	(2,906)
<i>Current Period's Profit/Loss</i>	47,748	66,818	36,848	122,950	(3,904)	1,175
Minority Rights	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-	-	-	-	-
<b>CAPITAL</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>
<b>NET AVAILABLE EQUITY</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>

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

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 YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of Capital Markets Board as six months periods. According to the calculations at December 31, 2019, there is no capital requirement for the subsidiaries mentioned.

*Unconsolidated investments in subsidiaries*

Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ <sup>(*)</sup>	Ankara/Turkey	65.50	80.48
2 Taksim Otelcilik AŞ <sup>(*)</sup>	İstanbul/Turkey	51.00	51.00
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ <sup>(*)</sup>	İstanbul/ Turkey	86.97	88.89
4 Vakıf Gayrimenkul Değerleme AŞ <sup>(*)</sup>	Ankara/ Turkey	94.29	94.29

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	312,070	229,347	245,134	3,654	-	854	(8,264)	25,743
2	407,742	392,843	208,609	18,267	1,315	22,686	23,214	453,745
3	84,171	65,819	38,661	5,923	527	6,067	2,811	59,392
4	31,219	23,497	686	3,984	176	(2,637)	(59)	23,742

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

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

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

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

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



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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Investments in consolidated subsidiaries*

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	80.62
2 Vakıf Finansal Kiralama AŞ	İstanbul/ Turkey	58.71	58.71
3 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/ Turkey	99.25	99.40
4 Vakıfbank International AG	Viyana/Austria	90.00	90.00
5 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/ Turkey	17.37	17.37
6 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/ Turkey	38.70	38.70

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,831,208	373,075	2,632	521,392	-	131,117	279,386
2	3,031,147	283,345	25,288	237,489	-	31,578	425,441
3	598,771	256,035	8,099	1,952	5,897	36,884	293,992
4	5,490,701	1,049,376	1,419	158,070	-	63,389	540,822
5	19,462	18,710	261	2,952	465	1,173	46,671
6	1,781,467	1,063,661	1,033,833	7,091	-	96,152	573,197

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

	Current Period December 31, 2019	Prior Period December 31, 2018
<b>Balance at the beginning of the period</b>	<b>2,129,732</b>	<b>1,950,138</b>
<b>Movements during the period</b>	<b>(652,484)</b>	<b>179,594</b>
Transfers (*)	(1,547,479)	(52,500)
Acquisitions	179,827	433
Bonus shares received	384,233	33,104
Share of current year profit	(42,881)	(48,196)
Sales and liquidations	(1,342)	(885)
Fair value changes	558,189	261,874
Impairment losses	(183,031)	(14,236)
<b>Balance at the end of the period</b>	<b>1,477,248</b>	<b>2,129,732</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

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

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

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

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

**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 YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

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

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

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

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

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

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

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

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

**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 YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

*Valuation of consolidated subsidiaries in unconsolidated financial statements*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Measured at cost	-	-
Measured at fair value (*)	1,477,248	2,129,732
Equity method of accounting	-	-
<b>Total</b>	<b>1,477,248</b>	<b>2,129,732</b>

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

*Sectoral distribution of consolidated investments in financial subsidiaries*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Banks	486,740	403,558
Insurance companies	-	968,850
Factoring companies	219,011	170,189
Leasing companies	249,776	145,488
Financing companies	-	-
Other financial subsidiaries	521,721	441,647
<b>Total</b>	<b>1,477,248</b>	<b>2,129,732</b>

(\*) As per the Board of Directors decision in December 13<sup>th</sup>, 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 Affiliates account and started to be tracked in the Non-Current Assets Held For Sale and Discontinued Operations account.

*Quoted consolidated subsidiaries*

	Current Period December 31, 2019	Prior Period December 31, 2018
Quoted at domestic stock exchanges	479,711	518,361
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>479,711</b>	<b>518,361</b>

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 YEAR ENDED DECEMBER 31, 2019

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*Consolidated subsidiaries disposed during the period*

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

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

*Investments in subsidiaries acquired during the period*

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

9. Investments in joint-ventures

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

10. Information on finance lease receivables (net)

*Finance lease receivables disclosed according to remaining maturities*

	Current Period		Prior Period	
	December 31, 2019		December 31, 2018	
	Gross	Net	Gross	Net
Less than 1 year	777,828	706,300	565,650	535,088
Between 1-4 years	2,070,301	1,766,622	1,883,455	1,644,025
Longer than 4 years	399,625	301,194	755,179	602,489
<b>Total</b>	<b>3,247,754</b>	<b>2,774,116</b>	<b>3,204,284</b>	<b>2,781,602</b>

*Net investments in finance lease receivables*

	Current Period		Prior Period	
	December 31, 2019		December 31, 2018	
Gross finance lease receivables	3,247,754		3,204,284	
Unearned income on finance lease receivables (-)	473,638		422,682	
Terminated lease contracts (-)	-		-	
<b>Net finance lease receivables</b>	<b>2,774,116</b>		<b>2,781,602</b>	

*Finance lease agreements*

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

11. Information on hedging purpose derivatives

*Positive differences on derivative financial instruments held for risk management purposes*

None.

**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 YEAR ENDED DECEMBER 31, 2019**

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

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

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

**12. Information on tangible assets**

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the prior year:</b>					
Cost	2,260,156	8,819	61,875	1,815,040	4,145,890
Accumulated depreciation(-)	54,162	8,002	21,347	1,165,255	1,248,766
Impairment(-)	30,708	-	-	21,910	52,618
<b>Net book value</b>	<b>2,175,286</b>	<b>817</b>	<b>40,528</b>	<b>627,875</b>	<b>2,844,506</b>
<b>IFRS 16 Transition Effect</b>					
<b>Cost</b>	-	<b>794,812</b>	-	-	<b>794,812</b>
<b>Accumulated depreciation(-)</b>	-	-	-	-	-
<b>Balance at the end of the current year:</b>					
Net book value at the beginning of the current year	2,175,286	795,629	40,528	627,875	3,639,318
Additions	34,609	457,636	79,889	135,333	707,467
Transferred cost	56,446	-	-	-	56,446
Transferred amortisation	4,738	-	-	-	4,738
Cost of the disposals	569,801	116,114	1,544	47,505	734,964
Classification of Assets Held for Sale and Discontinued Operations	229,883	817	8	35,934	266,642
Classification Among the Tangible Fixed Assets	-	-	-	-	-
Depreciation of the disposals (-)	103	8,461	1,395	37,140	47,099
Depreciation of the current year	10,081	254,132	12,843	152,447	429,503
Classification Among the Depreciation of the Tangible Fixed Assets	28	2,558	-	-	2,586
Impairment (-)	3,364	-	-	8,498	11,862
Exchange differences related to foreign associates	52	-	69	2,439	2,560
Cost at the end of the current year	1,551,579	1,144,336	140,281	1,869,373	4,705,569
Accumulated depreciation at the end of the year (-)	59,374	251,115	32,795	1,280,562	1,623,846
Impairment (-)	27,344	-	-	13,412	40,756
<b>Net book value at the end of the current year</b>	<b>1,464,861</b>	<b>893,221</b>	<b>107,486</b>	<b>575,399</b>	<b>3,040,967</b>

**13. Information on intangible assets**

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

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

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

**14. Information on investment properties**

As of December 31, 2019, net balance sheet value of the Group's subsidiary operating in real estate investment trust amounts to TL 608,990, and the Group has investment properties with a fair value of TL 1,018,635. (31 December 2018: Net book value of the Group's subsidiaries operating in the insurance industry was TL 101,795 and net balance sheet value of the Group's subsidiary operating in real estate investment trust was TL 505,605, with the fair value amounting to TL 816,185.)

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 YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

15. Information on tax assets

a) Current tax assets

As at December 31, 2019 there is no current tax asset of the Group (December 31, 2018: TL 2).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at December 31, 2019 and December 31, 2018:

	Current Period December 31, 2019	Prior Period December 31, 2018
Provision for employee termination benefits and unused vacations	143,171	122,272
Other provisions	14,034	73,828
Valuation differences of associates and subsidiaries	46,014	115,933
Deductible financial losses	-	16,830
Investment incentives	4,345	3,699
Valuation differences of financial assets and liabilities	431,120	42,008
Reporting Standards - Tax Code depreciation differences	49	-
Provision (Stage I and Stage II)	728,369	626,608
Other differences	34,994	18,536
<b>Deferred tax assets</b>	<b>1,402,096</b>	<b>1,019,714</b>
Net-off of the deferred tax assets and liabilities from the same entity	(600,480)	(830,746)
<b>Deferred tax assets, (net)</b>	<b>801,616</b>	<b>188,968</b>
Valuation differences of financial assets and liabilities	460,570	621,513
Valuation difference for associates and subsidiaries	62,343	111,720
Valuation differences of properties	74,679	93,668
Other differences	34,878	35,566
<b>Deferred tax liabilities</b>	<b>632,470</b>	<b>862,467</b>
Net-off of the deferred tax assets and liabilities from the same entity	(600,480)	(830,746)
<b>Deferred tax liabilities, (net)</b>	<b>31,990</b>	<b>31,721</b>

As at December 31, 2019 and December 31, 2018, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period December 31, 2019	Prior Period December 31, 2018
<b>As of 1 January</b>	<b>157,247</b>	<b>(12,468)</b>
Adjustment according to TAS as of January, 1	-	464,040
Deferred tax income/(loss)	882,613	(244,441)
Deferred tax that is accounted under Equity	(95,884)	(43,408)
Other	(174,350)	(6,476)
<b>Deferred tax asset/(liability)</b>	<b>769,626</b>	<b>157,247</b>

The reconciliation of the deferred tax on the assets directly related to the equity is as follows as of December 31, 2019 and December 31, 2018:

	Current Period December 31, 2019	Prior Period December 31, 2018
Financial assets at fair value through other comprehensive income	(234,295)	(8,688)
Associates and subsidiaries	51,424	(21,686)
Tangible assets	71,848	(51,682)
Assets for sale	-	(5,079)
Actuarial gains and losses	15,139	3,319
The effect of changes in accounting policies	-	40,408
<b>Total</b>	<b>(95,884)</b>	<b>(43,408)</b>

**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 YEAR ENDED DECEMBER 31, 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

**16. Information on assets held for sale and assets related to the discontinued operations**

As of December 31, 2019, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 3,125,252 (December 31, 2018: TL 1,581,436), and the provision for impairment is TL 12,981 (December 31, 2018: TL 28,392).

As per the Board of Directors decision in December 13<sup>th</sup>, 2019, the Parent Bank has started the process of transfer of shares held in subsidiaries Güneş Sigorta and Vakıf Emeklilik ve Hayat A.Ş. to a new company to be established by Türkiye Varlık Fonu Yönetimi A.Ş. Thus, Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are removed from the Subsidiaries account and are started to be classified in the Non-Current Assets or Disposal Groups “Held for Sale” and “From Discontinued Operations (Net)” account. Information on the balance sheet items related to these subsidiaries are presented below.

<b>Assets</b>	<b>Güneş Sigorta</b>	<b>Vakıf Emeklilik ve Hayat</b>	<b>Intra-Group Transactions</b>	<b>Consolidated</b>
Banks	1,689,062	563,850	(1,283,613)	969,299
Financial assets at fair value through profit or loss	122,817	627,395	(143,381)	606,831
Subsidiaries	775,563	4,746	(763,880)	16,429
Tangible and Intangible Assets	241,520	120,641	-	362,161
Other Assets	2,473,587	478,021	(321,604)	2,630,004
<b>Total</b>	<b>5,302,549</b>	<b>1,794,653</b>	<b>(2,512,478)</b>	<b>4,584,724</b>
<b>Liabilities</b>				
Lease Payables	987	24,564	(17,664)	7,887
Provisions	3,408,771	867,669	-	4,276,440
Current Tax Liabilities	38,427	30,741	-	69,168
Deferred Tax Liabilities	3,204	14,653	-	17,857
Other Liabilities	558,737	136,106	(26,537)	668,306
<b>Total</b>	<b>4,010,126</b>	<b>1,073,733</b>	<b>(44,201)</b>	<b>5,039,658</b>

**17. Information on other asset**

As at December 31, 2019 and December 31, 2018, the details of other assets are as follows

	<b>Current Period December 31, 2019</b>	<b>Prior Period December 31, 2018</b>
Receivables from insurance operations	-	1,954,650
Receivables from credit card payments	1,695,301	1,443,032
Prepaid expenses	969,046	1,297,047
Guarantees given for repurchase agreements	9,922	32,741
Guarantees given for derivative financial instruments	7,996,486	6,891,330
Receivables from term sale of assets	112,364	72,096
Receivables from reinsurance companies	-	53,863
Deferred commission expenses	-	119,251
Other	2,174,612	2,822,525
<b>Total</b>	<b>12,957,731</b>	<b>14,686,535</b>

**18. Information on expected loss provisions for financial assets**

	<b>Current Period - December 31, 2019</b>	<b>Prior Period - December 31, 2018</b>
Balances with the Central Bank	374	328
Banks	8,992	7,308
<b>Total</b>	<b>9,366</b>	<b>7,636</b>
Financial Assets Measured at Amortized Cost	5,054	4,665
<b>Total</b>	<b>14,420</b>	<b>12,301</b>

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 YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 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
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>51,342,737</b>	<b>-</b>	<b>49,215,010</b>	<b>120,850,786</b>	<b>16,192,215</b>	<b>4,050,194</b>	<b>12,471,186</b>	<b>8,620</b>	<b>254,130,748</b>

Prior Period December 31, 2018	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Foreign currency deposits	12,208,395	-	4,802,505	33,583,387	3,817,569	2,370,111	8,998,778	-	65,780,745
Residents in Turkey	11,089,671	-	4,734,577	32,950,463	3,222,472	898,417	1,452,912	-	54,348,512
Residents in abroad	1,118,724	-	67,928	632,924	595,097	1,471,694	7,545,866	-	11,432,233
Public sector deposits	8,813,217	-	7,364,042	5,762,076	1,706,276	2,415,489	187,995	-	26,249,095
Commercial deposits	2,980,744	-	5,186,038	6,510,432	893,392	935,437	40,288	-	16,546,331
Other	3,942,935	-	1,107,213	3,325,545	1,658,781	90,207	221,300	-	10,345,981
Precious metal deposits	2,625,379	-	-	-	-	-	-	-	2,625,379
Bank deposits	397,156	-	1,136,730	4,874,924	440,591	208,860	6,232	-	7,064,493
Central Bank	1,678	-	-	-	-	-	-	-	1,678
Domestic banks	119,838	-	580,017	389,545	35,145	187,479	6,232	-	1,318,256
Foreign banks	110,676	-	245,174	3,952,058	6,068	21,381	-	-	4,335,357
Participation banks	164,964	-	311,539	533,321	399,378	-	-	-	1,409,202
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>36,712,745</b>	<b>-</b>	<b>26,239,957</b>	<b>89,859,274</b>	<b>12,792,550</b>	<b>6,851,381</b>	<b>10,015,951</b>	<b>3,851</b>	<b>182,475,709</b>

Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	33,649,429	25,078,952	26,391,734	27,471,951
Foreign currency saving deposits	16,583,167	33,677,608	8,642,215	25,316,190
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>50,232,596</b>	<b>58,756,560</b>	<b>35,033,949</b>	<b>52,788,141</b>



CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 - December 31, 2019	Prior Period - December 31, 2018
Deposits and other accounts at foreign branches	62,900	72,744
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	10,395	5,287
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

2. Information on derivative financial liabilities held for trading purpose

*Negative differences related to the derivative financial liabilities held for trading purpose*

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Forwards	57,018	1,379	74,131	7,626
Swaps	2,168,868	1,081,874	2,010,204	419,013
Futures	-	-	-	-
Options	213	2,645	37,282	3,992
Other	-	-	-	-
<b>Total</b>	<b>2,226,099</b>	<b>1,085,898</b>	<b>2,121,617</b>	<b>430,631</b>

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	988,160	-	431,595
Domestic banks and institutions	1,490,651	5,266,568	1,952,650	3,890,809
Foreign banks, institutions and funds	796,115	36,522,190	686,931	38,470,872
<b>Total</b>	<b>2,286,766</b>	<b>42,776,918</b>	<b>2,639,581</b>	<b>42,793,276</b>

b) Maturity information of funds borrowed

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Short-term <sup>(*)</sup>	1,279,849	4,485,291	1,662,836	4,479,579
Medium and Long-term <sup>(*)</sup>	1,006,917	38,291,627	976,745	38,313,697
<b>Total</b>	<b>2,286,766</b>	<b>42,776,918</b>	<b>2,639,581</b>	<b>42,793,276</b>

<sup>(\*)</sup> Maturity profile of funds borrowed is prepared in accordance to their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 11.28% (December 31, 2018: 14.40%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

**Syndicated Loans Receive**

Beginning From	Maturity (Days)	Currency	Amount (Millions)	Interest rate	Coordinator Bank	Agent Bank
April 25, 2019	367	USD	279.5	Libor+2.50%	Mizuho Bank, Emirates NBD Bank PJSC	Mizuho Bank
	367	EUR	723.5	Euribor+2.40%	Mizuho Bank, Emirates NBD Bank PJSC	Mizuho Bank
November 21, 2018	367	USD	239.5	Libor+2.25%	Emirates NBD Bank PJSC The Commercial Bank (P.S.Q.C.)	Emirates NBD Bank PJSC
	367	EUR	309.3	Euribor+2.10%	Emirates NBD Bank PJSC The Commercial Bank (P.S.Q.C.)	Emirates NBD Bank PJSC

**Syndicated Loans Received**

Beginning from	Due date	Currency	Amount (USDMillions)	Loan Type
May 13, 2011	June 15, 2023	USD	346.5	Based on international remittance flows
December 19, 2014	December 15, 2021	USD/EUR	428.6	Based on international remittance flows / Based on treasury financing transactions
October 4, 2016	September 15, 2021	USD/EUR	354.4	Based on international remittance flows
	June 15, 2023	USD/EUR	535.7	Based on international remittance flows / Based on treasury financing transactions
May 4, 2018	March 15, 2023	USD/EUR	380	Based on international remittance flows
October 5, 2018	September 15, 2028	USD	300	Based on international remittance flows / Based on treasury financing transactions
October 15, 2019	December 15, 2026	USD	417	Based on international remittance flows / Based on treasury financing transactions

As of December 31, 2019, the total securitization balance is equivalent of USD 1,453 million and EUR 227 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, The Parent Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity, which will be used for trade finance purposes together with general purpose financial needs.

**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 YEAR ENDED DECEMBER 31, 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

*Information on securities issued*

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

At January 30, 2018, the Parent Bank has issued a new bond with a maturity of 5 years with a coupon rate of 5.75%, and a final yield of 5.85% amounting to USD 650 million. This transaction has been the highest consistent bond issuance transaction The Parent Bank has ever undertaken. The total demand from over 150 investors in the export has exceeded 1.5 billion dollars.

On March 28, 2019, a new bond issue with a coupon rate of 8.125% and a final return rate of 8.200% was realized in the amount of USD 600 million. More than 150 international investors showed interest in the issue. The issuance amount was swapped to Euro on the same day and the transaction was closed at a cost of less than 5%.

The Parent Bank has issued Turkey’s first Euro covered bond on May 4, 2016. The bond has been issued on May 4, 2016 has nominal value of 500 million Euros, maturity date on May 4, 2021 with fixed rate, 5 years maturity and annually interest paid with coupon rate 2.375% and 2.578% return.

On October 9, 2017, the Parent Bank had issued covered bond for the qualified investors abroad within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1,333 million Turkish Liras.

The Parent Bank had issued the second covered bond of 2017 on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1,333 million Turkish Liras.

On December 7, 2018 the Parent Bank issued the second transaction of 2018 abroad with a nominal value of TL 1,000 million and 5 years of maturity.

On 22 January 2019, two separate transactions amounting to TL 396.3 million and TL 1,118 million on February 12, 2019, are subject to 8-year maturity. Thus, the Covered Bond issuances reached TL 9.3 billion.

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Current Period - December 31, 2019</b>				
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

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
<b>Prior Period - December 31, 2018</b>				
Nominal	4,502,977	3,666,000	-	14,462,438
Cost	4,253,208	3,666,000	-	14,390,145
Net Book Value	4,382,207	3,729,376	-	14,660,908

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 YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 - December 31, 2019		
	Gross	Net
Under 1 year	21,334	19,639
1-4 Years	465,564	374,544
Over 4 years	947,947	541,755
<b>Total</b>	<b>1,434,845</b>	<b>935,938</b>

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 displayed under the “liabilities from leasing transactions” item. Applications and impacts related to the transition of IFRS 16 are explained in Note XXIV of Section Three.

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*

According to the TAS-19- Judgments of benefits that are provided to employees, bank accounts and calculate provision to obligations of severance pay and allowance rights.

As of December 31, 2019, TL 608,319 (December 31, 2018: TL 458,222) provision for severance pay and TL 107,214 (December 31, 2018: TL 151,143) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period - December 31, 2019	Prior Period - December 31, 2018
<b>Opening balance</b>	<b>458,222</b>	<b>413,371</b>
Current service cost	42,922	39,450
Previous service cost	19,090	(7,414)
Interest cost	65,053	47,063
Paid compensation	(52,764)	(53,882)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	6,615	6,026
Actuary loss/(gain)	91,125	13,278
Net foreign exchange differences from foreign subsidiaries	199	546
Other Changes (*)	(22,143)	(216)
<b>Closing balance</b>	<b>608,319</b>	<b>458,222</b>

**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 YEAR ENDED DECEMBER 31, 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

*Information on pension rights*

The Fund’s technical financial statements are inspected by an actuary who is registered to the actuaries registry, in accordance with the Insurance Law no. 5684, article 21, and the “Actuaries Regulations” published referring to the mentioned article. According to the actuary report dated January 2020, there are no technical or actual deficits that requires making any provision.

<b>Transferable retirement and health liabilities</b>	<b>Current Period December 31, 2019</b>	<b>Prior Period December 31, 2019</b>
Net Present Value of Transferable Retirement Liabilities	(8,016,606)	(6,942,347)
Net Present Value of Transferable Retirement and Health Contributions	6,813,970	5,148,673
General Administration Expenses	(80,166)	(69,423)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,282,802)	(1,863,097)
Fair Value of Plan Assets (2)	6,255,056	5,029,717
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,972,254	3,166,620

Actuarial assumptions used in valuation of Non Transferable Benefits based on TAS 19 are as follows:

<b>Discount Rates</b>	<b>Current Period December 31, 2019</b>	<b>Previous Period December 31, 2018</b>
Benefits Transferable to SSI	9.80%	9.80%
Non Transferable Benefits	2.50%	2.50%

**Distribution of total assets of the Retirement Fund as of December 31, 2019 and December 31, 2018 is presented below:**

	<b>Current Period December 31, 2019</b>	<b>Previous Period December 31, 2018</b>
Bank placements	639,362	2,453,589
Government Bonds and Treasury Bill, Fund and Accrual	3,267,243	659,361
Interest Income	2,219,862	1,723,955
Tangible assets <sup>(*)</sup>	128,589	192,812
Other	128,589	192,812
<b>Total</b>	<b>6,255,056</b>	<b>5,029,717</b>

<sup>(\*)</sup> The Tangible assets value indicates all the stocks’ and real estate properties’ market values, as of December, 31, 2019.

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 YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)

*Provision for currency exchange loss on foreign currency indexed loans*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Provision for Foreign Exchange Indexed Loans	546	32

*Provisions for non-cash loans that are not indemnified and not converted into cash*

As of December 31, 2019 the Parent Bank has recorded TL 57,760 (December 31, 2018: TL 26,739) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on provision for probable risks*

A portion of free provisions amounting to TL 178,000 has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provisions in the accompanying consolidated financial statements as at December 31, 2019 is TL 852,000. (December 31, 2018: TL 1,030,000).

*Information on insurance technical provisions*

	Current Period <sup>(*)</sup> December 31, 2019	Prior Period December 31, 2018
Unearned Premium Reserves	-	1,180,901
Outstanding Claims Reserves	-	1,919,637
Life Mathematical Reserves	-	302,494
Other	-	44,030
<b>Total</b>	<b>-</b>	<b>3,447,062</b>

<sup>(\*)</sup> Since provision balances of Güneş Sigorta and Vakıf Emeklilik ve Hayat AŞ are classified in Liabilities Related to Non-Current Assets "Held for Sale" and "Discontinued Operations" (Net) item in the balance sheet, it is not presented in Insurance Technical Reserves table.

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 YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 year ended December 31, 2019, the tax liability of the Group is amounting to TL 586,727 (December 31, 2018: TL 317,754).

*Information on taxes payable*

	Current Period December 31, 2019	Prior Period December 31, 2018
Corporate taxes payable	586,727	317,754
Taxation on securities	257,672	237,984
Capital gains tax on property	3,515	3,258
Taxes on foreign exchange transactions	4,428	-
Banking and Insurance Transaction Tax (BITT)	202,056	207,040
Value added tax payable	13,276	6,834
Other	68,391	75,332
<b>Total</b>	<b>1,136,065</b>	<b>848,202</b>

*Information on premiums payable*

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Social security premiums- employee share	518	1,442
Social security premiums- employer share	494	3,938
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	22	25
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	1
Unemployment insurance- employee share	1,639	1,106
Unemployment insurance- employer share	3,253	2,436
Other	-	14
<b>Total</b>	<b>5,926</b>	<b>8,962</b>

*Information on deferred tax liabilities*

Information on deferred tax liabilities is presented in disclosure 12 of information and disclosures related to assets.

9. Information on payables for assets held for resale and tangible assets related to discounted activities

The amount of liabilities related to Non-Current Assets Held for Sale and Discontinued Operations is 5,372,200 TL. ( 31 December 2018: 1,546)

**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 YEAR ENDED DECEMBER 31, 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**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 US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on November 1, 2012, on December 3, 2012 the Parent Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Parent Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%. The Bank used the early redemption option for this bond and received BRSA approval on 9 December 2019. An investor notification was made on 23 December 2019, and the bond was repaid on 3 February 2020 and the recall was completed.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 227.6 million which issued abroad, with the new Basel III compliant conditions, was completed on February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 18, 2017, the Parent Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras, that has the maturity of 10 years, that is callable in 5 years, and has quarterly coupon payments.

On September 27, 2018, the Parent Bank had issued a fixed rate subordinated bond (Additional Tier 1 capital) with nominal value of 4,994 million Turkish Liras that is undated and callable at the end of 5 years and has semiannual coupon payments.

On April 19, 2019, in the scope of GMTN Program, the Parent Bank issued bonds amounting to EUR 700,000,000 with additional Tier 1 capital requirements. In this context; Turkey Wealth Funds within the Market Stability and Balance Fund investors that allocated to bonds that have performed in the form of sales indefinite term, 5 years at the end of the qualities that can be redeemed early, fixed-rate and annual coupon payments has been included in additional Tier 1 capital in the nominal value of the voucher. The ratio is determined as 5.076%.

On September 27, 2019, TLREF indexed subordinated bonds amounting to TL 725 million were issued to qualified investors in the domestic capital markets. The issued bond has a maturity of 10 years and has the option of early redemption at the end of the fifth year. Bonds with floating interest rates are priced at an additional 150 basis points above the Turkish Lira Overnight Reference Interest Rate (RE TLREF an) announced by the BIST every day. The debt instrument will make a variable coupon payment every 91 days from the beginning date to the amortization date (including the amortization date).

Total balance sheet value of the bonds is TL 19,245,453 as of December 31, 2019 (December 31, 2018: TL 13,022,023).

	Current Period December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
<b>Debt instruments to be included in the additional capital calculation</b>	<b>5,139,810</b>	<b>4,839,684</b>	<b>5,138,704</b>	<b>-</b>
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	5,139,810	4,839,684	5,138,704	-
<b>Debt instruments to be included in the additional capital calculation</b>	<b>1,255,067</b>	<b>8,010,892</b>	<b>529,417</b>	<b>7,353,902</b>
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,255,067	8,010,892	529,417	7,353,902
<b>Total</b>	<b>6,394,877</b>	<b>12,850,576</b>	<b>5,668,121</b>	<b>7,353,902</b>



CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)

11. Information on shareholders’ equity

Paid-in capital

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Common stock	2,500,000	2,500,000
Preferred stock	-	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors’ members; three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

*Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the parent bank; if so the amount of registered share capital*

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	10,000,000

At the resolutions of Board of Directors dated January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, the Parent Bank’s ceiling per registered share capital has been increased from TL 5,000,000 to TL 10,000,000.

*Information on share capital increases and their sources; other information on any increase in capital shares during the current period*

There is no share capital increase in the current year and previous year.

*Information on share capital increases from revaluation funds*

None.

*Capital commitments for current financial year and following period and its general purpose and estimated sources that are required for commitments*

None

*Prior period indicators of the Parent Bank’s income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators*

None.

*Information on the privileges given to stocks representing the capital*

None.

*Valuation differences of the marketable securities*

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	763,262	-	438,620	-
Financial assets at fair value through other comprehensive income	561,571	318,216	(126,892)	9,123
<b>Total</b>	<b>1,324,833</b>	<b>318,216</b>	<b>311,728</b>	<b>9,123</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Disclosures related to off-balance sheet commitments

*Type and amount of consolidated irrevocable commitments*

	Current Period December 31, 2019	Prior Period December 31, 2018
Commitments for credit card limits	17,293,741	13,549,649
Loan granting commitments	18,079,079	14,105,349
Commitments for cheque payments	3,528,150	1,979,217
Asset purchase sale commitments	7,968,985	3,754,254
Other	2,250,430	3,086,633
<b>Total</b>	<b>49,120,385</b>	<b>36,475,102</b>

*Type and amount of possible losses from off-balance sheet items*

*Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral*

The Parent Bank provided specific provision amounting to TL 689,503 (December 31, 2018: TL 258,210) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 57,760 (December 31, 2018: TL 26,739).

*Final guarantees, provisional guarantees, sureties and similar transactions*

	Current Period December 31, 2019	Prior Period December 31, 2018
Final letters of guarantee	20,929,135	18,753,120
Letters of guarantee for advances	5,608,940	6,838,656
Letters of guarantee given to custom offices	1,322,033	1,314,771
Provisional letters of guarantee	1,366,139	1,913,828
Other letters of guarantee	29,777,819	23,132,521
<b>Total</b>	<b>59,004,066</b>	<b>51,952,896</b>

2. Non-cash loans

	Current Period December 31, 2019	Prior Period December 31, 2018
Non-cash loans given for cash loan risks	17,026,869	10,058,836
<i>With original maturity of 1 year or less</i>	6,070,706	3,334,315
<i>With original maturity of more than 1 year</i>	10,956,163	6,724,521
Other non-cash loans	61,253,448	55,970,161
<b>Total</b>	<b>78,280,317</b>	<b>66,028,997</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS (Continued)

3. Sectoral risk concentrations of non-cash loans

	Current Period - December 31, 2019				Prior Period - December 31, 2018			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>56,955</b>	<b>0.15</b>	<b>253,240</b>	<b>0.62</b>	<b>32,052</b>	<b>0.08</b>	<b>59,331</b>	<b>0.21</b>
Farming and Cattle	52,735	0.14	231,174	0.57	29,692	0.08	59,331	0.21
Forestry	4,190	0.01	-	-	1,698	-	-	-
Fishing	30	-	22,066	0.05	662	-	-	-
<b>Manufacturing</b>	<b>11,788,946</b>	<b>30.97</b>	<b>20,327,094</b>	<b>50.55</b>	<b>12,489,776</b>	<b>33.19</b>	<b>14,033,362</b>	<b>49.41</b>
Mining	236,923	0.62	165,044	0.41	218,076	0.58	126,887	0.45
Production	7,030,835	18.47	19,172,563	47.68	8,147,262	21.65	13,170,945	46.37
Electric, gas and water	4,521,188	11.88	989,487	2.46	4,124,438	10.96	735,530	2.59
<b>Construction</b>	<b>7,620,745</b>	<b>20.02</b>	<b>5,912,307</b>	<b>14.70</b>	<b>7,726,291</b>	<b>20.53</b>	<b>5,137,296</b>	<b>18.09</b>
<b>Services</b>	<b>17,217,616</b>	<b>45.23</b>	<b>10,490,645</b>	<b>26.09</b>	<b>15,650,807</b>	<b>41.60</b>	<b>7,037,312</b>	<b>24.77</b>
Wholesale and retail trade	6,037,803	15.86	6,341,737	15.77	5,545,235	14.74	4,032,534	14.20
Hotel, food and beverage Services	314,844	0.83	412,217	1.03	336,135	0.89	245,307	0.86
Transportation and telecommunication	2,804,464	7.37	2,178,819	5.42	1,986,293	5.28	1,123,275	3.95
Financial institutions	4,702,677	12.35	174,578	0.43	4,361,969	11.59	94,814	0.33
Real estate and renting Services	1,139,197	2.99	465,306	1.16	1,663,203	4.42	402,537	1.42
Self-employment services	1,962,573	5.16	321,924	0.80	1,455,236	3.87	456,663	1.61
Education services	56,442	0.15	4,464	0.01	51,743	0.14	4,085	0.01
Health and social services	199,616	0.52	591,600	1.47	250,993	0.67	678,097	2.39
<b>Other</b>	<b>1,385,664</b>	<b>3.64</b>	<b>3,227,105</b>	<b>8.03</b>	<b>1,727,370</b>	<b>4.60</b>	<b>2,135,400</b>	<b>7.52</b>
<b>Total</b>	<b>38,069,926</b>	<b>100.00</b>	<b>40,210,391</b>	<b>99.99</b>	<b>37,626,296</b>	<b>100.00</b>	<b>28,402,701</b>	<b>100.00</b>

4. Information on the non-cash loans classified as first and second group

Current Period - December 31, 2019	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	35,950,263	20,694,480	1,104,761	574,064
Confirmed bills of exchange and acceptances	7,842	4,562,605	-	3,382
Letters of credit	141,830	13,517,542	-	73,273
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	324,144	142,897	-	-
Other guarantees and sureties	217,069	276,662	-	-
<b>Non-Cash Loans</b>	<b>36,641,148</b>	<b>39,194,186</b>	<b>1,104,761</b>	<b>650,719</b>

Prior Period - December 31, 2018	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	35,786,714	14,727,183	875,085	321,894
Confirmed bills of exchange and acceptances	7,815	2,948,104	-	-
Letters of credit	51,010	10,141,626	-	7,151
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	243,674	127,759	-	-
Other guarantees and sureties	410,702	122,070	-	-
<b>Non-Cash Loans</b>	<b>36,499,915</b>	<b>28,066,742</b>	<b>875,085</b>	<b>329,045</b>

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 YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS (Continued)

5. Information on derivative transactions

	Current Period - December 31, 2019	Prior Period - December 31, 2018
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>85,949,525</b>	<b>46,493,564</b>
Currency Forwards	4,537,627	2,744,719
Currency Swaps	80,075,495	41,266,318
Currency Futures	-	-
Currency Options	1,336,403	2,482,527
<b>Interest Rate Derivative Transactions (II)</b>	<b>66,326,016</b>	<b>46,832,308</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	66,326,016	46,832,308
Interest Rate Options	-	-
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>23,593,260</b>	<b>17,683,118</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>175,868,801</b>	<b>111,008,990</b>
<b>Hedging Derivatives</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	-	-
<b>Derivative Transactions (A+B)</b>	<b>175,868,801</b>	<b>111,008,990</b>

Current Period - December 31, 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	15,005,140	6,896,536	3,989,479	133,623	178,650	26,203,428
Sale	16,274,347	6,921,551	4,029,209	105,000	-	27,330,107
<b>Currency forwards:</b>						
Purchase	101,976	537,671	1,171,136	461,825	-	2,272,608
Sale	101,790	536,140	1,166,826	460,263	-	2,265,019
<b>Cross currency interest rate swaps:</b>						
Purchase	-	122,124	357,300	10,734,025	2,501,707	13,715,156
Sale	-	282,977	169,645	10,002,448	2,371,734	12,826,804
<b>Interest rate swaps:</b>						
Purchase	10,000	111,160	1,333,330	8,113,874	23,594,644	33,163,008
Sale	10,000	111,160	1,333,329	8,113,875	23,594,644	33,163,008
<b>Options:</b>						
Purchase	429,818	94,300	137,745	-	-	661,863
Sale	440,210	96,002	138,328	-	-	674,540
<b>Trading securities:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Futures:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Other trading derivatives:</b>						
Purchase	1,306,719	173,000	-	5,540,430	6,733,189	13,753,338
Sale	-	178,433	-	4,073,741	5,587,748	9,839,922
<b>Total purchases</b>	<b>16,853,653</b>	<b>7,934,791</b>	<b>6,988,990</b>	<b>24,983,777</b>	<b>33,008,190</b>	<b>89,769,401</b>
<b>Total sales</b>	<b>16,826,347</b>	<b>8,126,263</b>	<b>6,837,337</b>	<b>22,755,327</b>	<b>31,554,126</b>	<b>86,099,400</b>
<b>Total</b>	<b>33,680,000</b>	<b>16,061,054</b>	<b>13,826,327</b>	<b>47,739,104</b>	<b>64,562,316</b>	<b>175,868,801</b>

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 YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS (Continued)

5. Information on derivative transactions (Continued)

Prior Period - December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	9,999,599	884,162	2,067,889	241,548	-	13,193,198
Sale	7,084,492	890,248	1,965,785	202,080	-	10,142,605
<b>Currency forwards:</b>						
Purchase	289,468	299,945	761,559	23,151	-	1,374,123
Sale	288,694	298,892	759,874	23,136	-	1,370,596
<b>Cross currency interest rate swaps:</b>						
Purchase	105,600	-	556,431	8,492,044	502,138	9,656,213
Sale	47,002	-	235,455	7,575,851	415,994	8,274,302
<b>Interest rate swaps:</b>						
Purchase	-	-	50,000	9,243,910	14,122,244	23,416,154
Sale	-	-	50,000	9,243,910	14,122,244	23,416,154
<b>Options:</b>						
Purchase	334,764	50,487	830,025	-	-	1,215,276
Sale	348,761	59,812	858,678	-	-	1,267,251
<b>Other trading derivatives:</b>						
Purchase	-	422,400	-	6,324,292	1,774,159	8,520,851
Sale	2,975,026	305,901	-	4,428,802	1,452,538	9,162,267
<b>Total purchases</b>	<b>10,729,431</b>	<b>1,656,994</b>	<b>4,265,904</b>	<b>24,324,945</b>	<b>16,398,541</b>	<b>57,375,815</b>
<b>Total sales</b>	<b>10,743,975</b>	<b>1,554,853</b>	<b>3,869,792</b>	<b>21,473,779</b>	<b>15,990,776</b>	<b>53,633,175</b>
<b>Total</b>	<b>21,473,406</b>	<b>3,211,847</b>	<b>8,135,696</b>	<b>45,798,724</b>	<b>32,389,317</b>	<b>111,008,990</b>

6. Contingent assets and liabilities

Group allocates TL 37,141 as provision for lawsuits against the Group (December 31, 2018: TL 13,417).

7. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank’s custody services and banking transactions on behalf of individuals and corporate customers do not present a material portion.

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 YEAR ENDED DECEMBER 31, 2019  
(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

1. Interest income

*Information on interest income received from loans*

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Short-term loans	10,008,384	760,812	8,560,973	436,461
Medium and long-term loans	18,789,551	5,021,236	14,395,759	4,162,635
Non-performing loans	596,949	-	346,695	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>29,394,884</b>	<b>5,782,048</b>	<b>23,303,427</b>	<b>4,599,096</b>

*Information on interest income received from banks*

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	1,297	-	1,004
Domestic Banks	118,267	36,344	156,626	25,470
Foreign Banks	2,529	123,042	1,752	145,000
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>120,796</b>	<b>160,683</b>	<b>158,378</b>	<b>171,474</b>

*Information on interest income received from marketable securities portfolio*

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	105,356	6,025	14,656	487
Financial assets at fair value through other comprehensive income	1,980,533	230,887	976,761	74,246
Financial assets measured at amortised cost	4,170,602	551,886	4,648,680	375,482
<b>Total</b>	<b>6,256,491</b>	<b>788,798</b>	<b>5,640,097</b>	<b>450,215</b>

*Information on interest income received from associates and subsidiaries*

None.

2. Interest Expense

*Interest expense on funds borrowed*

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
<b>Banks</b>	<b>313,198</b>	<b>1,410,328</b>	<b>364,160</b>	<b>1,157,355</b>
Central Bank of the Republic of Turkey	-	1,878	-	1,084
Domestic Banks	232,793	161,903	259,028	77,846
Foreign Banks	80,405	1,246,547	105,132	1,078,425
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>87,432</b>	<b>-</b>	<b>78,259</b>
<b>Total</b>	<b>313,198</b>	<b>1,497,760</b>	<b>364,160</b>	<b>1,235,614</b>

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 YEAR ENDED DECEMBER 31, 2019  
(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)

*Interest expense paid to associates and subsidiaries*

	Current Period December 31, 2019	Prior Period December 31, 2018
Interests paid to the associates and subsidiaries	99,103	218,774

*Interest expense on securities issued*

Interest paid to securities issued as at for the period ended December 31, 2019 is TL 4,150,779 (TL 2,547,592 and 1,603,187 FC). (December 31, 2018: TL 2,795,960 (TL 1,571,257 and 1,224,703 FC)).

*Maturity structure of the interest expense on deposits*

Current Period December 31, 2019	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	127,409	341,312	161	93,568	-	-	562,450
Saving deposits	-	1,245,693	6,033,792	817,665	114,592	255,324	730	8,467,796
Public sector deposits	22,901	536,859	962,113	165,271	74,265	33,484	-	1,794,893
Commercial deposits	25	1,294,852	1,802,522	251,889	111,609	75,344	-	3,536,241
Other deposits	-	161,836	804,571	541,778	101,210	27,926	-	1,637,321
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,926</b>	<b>3,366,649</b>	<b>9,944,310</b>	<b>1,776,764</b>	<b>495,244</b>	<b>392,078</b>	<b>730</b>	<b>15,998,701</b>
<i>FC</i>								
Foreign Currency deposits	30,323	179,631	1,176,498	113,507	51,614	192,931	-	1,744,504
Interbank deposits	11,740	48,031	128,669	61	35,273	-	-	223,774
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	10	-	783	164	-	957
<b>Total</b>	<b>42,063</b>	<b>227,662</b>	<b>1,305,177</b>	<b>113,568</b>	<b>87,670</b>	<b>193,095</b>	<b>-</b>	<b>1,969,235</b>
<b>Grand Total</b>	<b>64,989</b>	<b>3,594,311</b>	<b>11,249,487</b>	<b>1,890,332</b>	<b>582,914</b>	<b>585,173</b>	<b>730</b>	<b>17,967,936</b>

Prior Period December 31, 2018	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>								
Interbank deposits	-	95,442	281,671	4,132	11,837	8,636	-	401,718
Saving deposits	-	843,986	6,018,483	411,605	70,679	39,013	295	7,384,061
Public sector deposits	15,574	541,525	907,095	138,568	538,800	20,918	-	2,162,480
Commercial deposits	43	726,432	1,869,346	248,098	85,321	2,642	-	2,931,882
Other deposits	-	82,449	574,635	143,725	41,503	13,069	-	855,381
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15,617</b>	<b>2,289,834</b>	<b>9,651,230</b>	<b>946,128</b>	<b>748,140</b>	<b>84,278</b>	<b>295</b>	<b>13,735,522</b>
<i>FC</i>								
Foreign currency deposits	26,390	68,707	1,232,494	82,081	45,467	190,329	-	1,645,468
Interbank deposits	8,322	565	118,430	27,172	1,939	-	-	156,428
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>34,712</b>	<b>69,272</b>	<b>1,350,924</b>	<b>109,253</b>	<b>47,406</b>	<b>190,329</b>	<b>-</b>	<b>1,801,896</b>
<b>Grand Total</b>	<b>50,329</b>	<b>2,359,106</b>	<b>11,002,154</b>	<b>1,055,381</b>	<b>795,546</b>	<b>274,607</b>	<b>295</b>	<b>15,537,418</b>

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 YEAR ENDED DECEMBER 31, 2019  
(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. Dividend Income

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Financial assets at fair value through profit or loss	7,455	419
Financial assets at fair value through other comprehensive income	-	-
Investments in Associates	1,227	49,592
<b>Total</b>	<b>8,682</b>	<b>50,011</b>

4. Information on trading income/losses

	Current Period December 31, 2019	Prior Period December 31, 2018
<b>Income</b>	<b>37,861,469</b>	<b>31,381,691</b>
Income from capital market operations	14,465,046	5,110,076
Income from derivative financial instruments	15,991,979	11,208,820
Foreign exchange gains	7,404,444	15,062,795
<b>Losses</b>	<b>(40,358,010)</b>	<b>(30,558,861)</b>
Loss from capital market operations	(13,965,147)	(4,951,953)
Loss from derivative financial instruments	(19,652,949)	(10,937,763)
Foreign exchange loss	(6,739,914)	(14,669,145)
<b>Net trading profit/loss</b>	<b>(2,496,541)</b>	<b>822,830</b>

Net loss arising from changes in foreign exchange rates that relate to the Group’s foreign exchange rate based derivative financial instruments is amounting to TL (3,441,982) as at and for the year ended December 31, 2019 (December 31, 2018: net loss of TL (94,499)).

5. Information on other operating income

	Current Period December 31, 2019	Prior Period December 31, 2018
Income from reversal of the provisions for loans from prior periods	3,526,235	1,739,650
Earned insurance premiums (net of reinsurance share)	2,015,707	1,346,870
Communication income	37,251	36,269
Gain on sale of assets	315,137	210,465
Income from private pension business	161,784	165,143
Rent income	20,314	192,039
Other income	504,584	255,007
<b>Total</b>	<b>6,581,012</b>	<b>3,945,443</b>

6. Expected credit loss and other provision expenses

	Current Period - December 31, 2019	Prior Period - December 31, 2018
<b>Expected Credit Loss</b>	<b>8,356,813</b>	<b>4,508,666</b>
12 month expected credit loss (stage 1)	1,287,701	439,365
Significant increase in credit risk (stage 2)	1,799,498	995,402
Non-performing loans (stage 3)	5,269,614	3,073,899
<b>Marketable Securities Impairment Expense</b>	<b>58,712</b>	<b>4,603</b>
Financial Assets at Fair Value through Profit or Loss	6,350	1,566
Financial Assets at Fair Value Through Other Comprehensive Income	52,362	3,037
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>79,637</b>	-
Investments in Associates	79,637	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	-	<b>592,228</b>
<b>Total</b>	<b>8,495,162</b>	<b>5,105,497</b>

(\*) Free provision amount as of 2018.



**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 YEAR ENDED DECEMBER 31, 2019**  
(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)**

**7. Information on other operating expenses**

	<b>Current Period December 31, 2019</b>	<b>Prior Period December 31, 2018</b>
Reserve for Employee Termination Benefits	73,602	25,881
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	13,006
Depreciation Expenses on Tangible Assets	457,222	176,923
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	35,980	32,632
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses on Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	13,632
Other Operating Expenses	2,518,654	3,140,934
<i>Leasing expenses related to TFRS 16 exceptions</i>	92,870	309,686
<i>Repair and maintenance expenses</i>	77,078	63,461
<i>Advertisement expenses</i>	197,051	182,176
<i>Other expenses</i>	2,151,655	2,585,611
Loss on sale of assets	7,306	4,647
Other (*)	2,120,436	1,798,129
<b>Total</b>	<b>5,213,200</b>	<b>5,205,784</b>

(\*) Other operating expenses amounting to TL 2,120,436 (December 31, 2018: TL 1,798,129) is comprised of provision expenses for dividends to the personnel amounting to TL 252,180 (December 31, 2018: TL 276,496), tax, fees and funds expenses amounting to TL 294,783 (December 31, 2018: TL 369,491), Saving Deposits Insurance Fund expenses amounting to TL 283,627 (December 31, 2018: TL 197,864), Compensation pensions amounting to TL 117,896 (December 31, 2018: TL 13,107), cumulative/noncumulative commission expenses amounting to TL 191,470 (December 31, 2018: TL 96,101), production commission expenses to TL 466,861 (December 31, 2018: TL 240,480) and other expenses amounting to TL 513,619 (December 31, 2018: TL 604,590)

**8. Information on income/loss from discontinued and continuing operations**

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-6 in this section. The Group has no discontinued operations.

**9. Information on tax provision from discontinued and continuing operations**

Information on provision for taxes on income from continuing operations is presented in disclosure 10 in this section. The Group has no discontinued operations.

**10. 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.

**11. Provision for taxes**

***Current year taxation benefit or charge and deferred tax benefit or charge***

In the current period, the Group recorded a tax provision of TL 1,873,816 (December 31, 2018: TL 840,854) 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 FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

(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 December 31, 2019	Prior Period December 31, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	531,905	152,659
Arising from (Origination)/ Reversal of Taxable Temporary Differences	350,708	(397,100)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>882,613</b>	<b>(244,441)</b>

The table of the tax provision reconciliation for the years December 31, 2019 and December 31, 2018 is as below.

	Current Period December 31, 2019	Prior Period December 31, 2018
<b>Profit before tax</b>	<b>4,500,032</b>	<b>5,689,773</b>
Tax calculated with legal tam rate <sup>(*)</sup>	1,839,167	978,161
Non-deductible expenses, discounts and other, net	(847,964)	107,134
<b>Total</b>	<b>991,203</b>	<b>1,085,295</b>

<sup>(\*)</sup> Different tax rates are used in the subsidiaries of the parent bank operating abroad, there are corporate tax exemptions on earnings of some subsidiaries operating in Turkey.

**12. Information on net profit and loss**

*The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period*

Group has incurred TL 43,070,830 interest income and TL 29,275,576 interest expense, also incurred TL 3,399,115 amount of net fee and commission income from its ordinary banking operations (December 31, 2018: TL 34,957,243 interest income, TL 23,529,737 interest expense, TL 2,151,048 net fee and commission income).

*Any changes in estimations, that might have a material effect on current and subsequent period, is indicated*

None.

**13. Income/loss related to non-controlling interest**

	Current Period December 31, 2019	Prior Period - December 31, 2018
Income/(losses) related to non-controlling interest	139,470	60,200

**14. Information related to the sub-accounts which constitute at least 20% of other items, in case of the components of other items in the income statement exceeding 10% of the group total**

Other fees and commission income of the Group mainly consist of credit card fees and commissions, 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 FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**  
(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 STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

**1. Information on increases that occur after revaluation of available-for-sale investments**

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

<b>Valuation Differences of Marketable Securities</b>	<b>Current Period December 31, 2019</b>	<b>Prior Period December 31, 2018</b>
Valuation differences at the beginning of the year	(117,769)	(124,835)
Fair value changes in the current year	831,505	(8,909)
Valuation differences transferred to the statement of income	400,346	24,663
Effect of deferred and corporate taxes	(234,295)	(8,688)
<b>Valuation differences at the end of the year</b>	<b>879,787</b>	<b>(117,769)</b>

<b>Valuation Difference of the Subsidiaries and Affiliates</b>	<b>Current Period December 31, 2019</b>	<b>Prior Period December 31, 2018</b>
Valuation differences at the beginning of the year	415,853	61,709
Fair value changes in the current year	204,342	375,830
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	51,424	(21,686)
<b>Valuation differences at the end of the year</b>	<b>671,619</b>	<b>415,853</b>

**2. Information on increases in cash flow hedges**

None.

**3. Reconciliation of the beginning and end of the year balances of foreign exchange differences**

None.

**4. Information on correction differences of shareholders’ equity accounts due to inflation**

In compliance with BRSA’s Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for “capital reserves from inflation adjustments”. The balance of “capital reserves from inflation adjustments” account is transferred to “other capital reserves” account. In 2006, the Bank has increased its paid in capital through “other capital reserves” by TL 605,763.

**5. Information on profit distribution**

At the 65th General Assembly Meeting of the Parent Bank held on May 27, 2019, it was decided to distribute TL 415,432 of the distributable net period profit of 2018 totalling TL 4,154,322 to shareholders as legal reserves, TL 3,727,711 of it as extraordinary reserves, TL 11,179 as special funds.

**6. Information on decreases of revaluation of available-for-sale investments**

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 1.

**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 YEAR ENDED DECEMBER 31, 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS**

**1. Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents**

“Other” item under the “operating profit before changes in operating assets and liabilities” amounting to TL (7,929,416) (December 31, 2018: TL (4,172,145)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

“Net increase/decrease in other liabilities” amounting to TL (3,685,148) (December 31, 2018: TL 7,737,050) under “changes in operating assets and liabilities” is mainly comprised of fund based cash outflows from repurchase agreements.

“Other” balance under “net cash flow from investing activities” amounting to TL (38,789) (December 31, 2018: TL (8,333)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assets’ high turnover rate are taken into consideration. Each exchange rate’s arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period’s exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation’s per term exchange rate and current period’s exchange rate. As of December 31, 2019 impact of the exchange rate change on cash and cash equivalents is TL 545,639 (December 31, 2018: TL 256,824).

**2. Cash flows from acquisition of associates, subsidiaries and joint-ventures**

There is not any cash flow that is related with Bank’s subsidiaries in the current and previous periods.

**3. Cash flows from the disposal of associates, subsidiaries and joint-ventures**

In the current period, all of the shares of Vakıf Portföy Yönetimi AŞ, which the Bank previously disclosed in the Assets Held for Sale and Fixed Assets Related to Discontinued Operations account, were sold to Ziraat Portföy Yönetimi AŞ for a price of TL 52,500. It is not available in the previous period.

**4. Information on cash and cash equivalents**

**Information on cash and cash equivalents at the beginning of the year**

	<b>Prior Period December 31, 2018</b>	<b>Prior Period December 31, 2017</b>
<b>Cash on hand</b>	<b>2,345,929</b>	<b>1,990,874</b>
Cash in TL	1,462,095	1,406,685
Cash in foreign currency	883,834	584,189
<b>Cash equivalents</b>	<b>19,033,571</b>	<b>19,771,933</b>
CBRT	29,144,389	26,277,100
Banks	6,704,108	13,323,799
Receivables from money markets	6,839	1,659,062
Other	1,001,139	388,272
Loans and advances to banks having maturity of more than 3 months	(609,535)	(639,854)
Restricted cash and cash equivalents	(17,182,290)	(21,221,265)
Unrealized foreign exchange rate differences on cash equivalents	(31,079)	(15,181)
<b>Total</b>	<b>21,379,500</b>	<b>21,762,807</b>

(\*) As of 31 December 2018, 978,799 TL (31 December 2017: 380,313) and 22,340 TL (31 December 2017: 7,959) out of 1,001,139 TL (31 December 2017: 388,272) that were classified under “Other” was cash in transit and precious metals, respectively.

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 YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS (Continued)

*Information on cash and cash equivalents at the end of the year*

	Current Period December 31, 2019	Current Period December 31, 2018
<b>Cash on hand</b>	<b>2,463,458</b>	<b>2,345,929</b>
Cash in TL	1,459,578	1,462,095
Cash in foreign currency	1,003,880	883,834
<b>Cash equivalents</b>	<b>28,629,003</b>	<b>19,033,571</b>
CBRT	33,262,426	29,144,389
Banks	7,187,797	6,704,108
Receivables from money markets	14,535	6,839
Other	778,708	1,001,139
Loans and advances to banks having maturity of more than 3 months	(359,791)	(609,535)
Restricted cash and cash equivalents	(12,245,275)	(17,182,290)
Unrealized foreign exchange rate differences on cash equivalents	(9,397)	(31,079)
<b>Total</b>	<b>31,092,461</b>	<b>21,379,500</b>

(\*) As of 31 December 2019, 969,299 TL out of 7,187,797 TL that is classified in Assets Held for Sale and Discontinued Operations, consists of Güneş Sigorta AŞ and Vakıf Emeklilik and Hayat AŞ balances.

(\*\*) As of 31 December 2019, 629,403 TL (31 December 2018: 978,799) and 149,305 TL (31 December 2018: 22,340) out of 778,708 TL (31 December 2018: 1,001,139) that is classified in Other is cash in transit and precious metals, respectively.

**5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account**

Reserve requirements at CBRT amounting to TL 11,470,013 as at December 31, 2019 (December 31, 2018: TL 16,597,789) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 775,262 (December 31, 2018: TL 584,501) is blocked due to securitization loans and other ordinary operations of the Group.

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 YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK’S RISK GROUP

1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at year end and income and expenses in the current year

*Information on loans and other receivables held by Parent Bank’s risk group*

Current Period	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	-	-	2,710	56,829
Interest and commission income	-	341	-	-	49,531	154

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	17	1,190,628	-	38,243	18,111	34,799
Balance at the end of the year	85	222,835	-	44,668	193,297	91,969
Interest and commission income	-	1,351	-	-	22,076	40

*Information on deposits held by the Parent Bank’s risk group*

	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	538,053	884,201	1,079,621	1,100,243	623,318	241,646
Balance at the end of the year	260,823	538,053	-	1,079,621	89,026	623,318
Interest on deposits	99,103	218,774	181,726	112,544	15,157	23,936

**Information on forwards, options and other derivative transactions held by the Parent Bank’s risk group**

None.

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.

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 YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK’S RISK GROUP (Continued)

*In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other*

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.001% (December 31, 2018: 0.085) and 0.537% (December 31, 2018: 0.544) respectively.

<u>Current Period - December 31, 2019</u>	<u>Amount</u>	<u>Compared with the Financial Statement Amount %</u>
Cash Loans	2,827	0.001
Non-Cash Loans	415,648	0.537
Deposits	349,849	0.139
Forward and Option Agreements	-	-

<u>Prior Period - December 31, 2018</u>	<u>Amount</u>	<u>Compared with the Financial Statement Amount %</u>
Cash Loans	193,382	0.085
Non-Cash Loans	359,472	0.544
Deposits	2,240,992	1.228
Forward and Option Agreements	-	-

*Information on Benefits Provided to Directors*

In the accounting period ending on December 31, 2019, a total amount of TL 52,773 was paid to the Parent Bank’s top management. (31 December 2018: 39,596 TL).

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES OF THE PARENT BANK

*Domestic and foreign branches and representative offices*

	<u>Number of Branches</u>	<u>Number of Employees</u>	<u>Country</u>	<u>Total Assets</u>	<u>Capital</u>
<b>Domestic Branches<sup>(*)</sup></b>	940	16,790			
<b>Foreign Representative Offices</b>	-	-			
<b>Foreign Branches</b>	1	26	ABD	5,118,582	98,258
	1	14	Irak	639,915	297,750
<b>Off-shore Branches</b>	1	5	Bahreyn	27,561,625	-

<sup>(\*)</sup> Free zone branches in Turkey are included to domestic branches.

*Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure*

During 2019, 2 new domestic branches (2018: 38 domestic branches) have been opened and 10 branches have been closed (2018: 14).

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 YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

As per the resolution of 65<sup>th</sup> Annual General Assembly held on May 27, 2019, the net profit of year 2018 has been decided to be distributed as follows:

<b>Profit Distribution Table of Year 2018</b>	
<b>Bank’s unconsolidated profit in its statutory financial statements</b>	<b>4,154,322</b>
Deferred tax credits	-
<b>Net profit of the year subject to distribution</b>	<b>4,154,322</b>
Legal reserves	415,432
<i>First Legal Reserves</i>	207,716
<i>Reserves allocated according to banking law and articles of association.</i>	207,716
<b>Net profit of the year subject to distribution</b>	<b>3,738,890</b>
Gain on sale of immovable and shares of associates and subsidiaries	11,179
Extraordinary reserves	3,727,711
<b>Dividends to shareholders</b>	<b>-</b>

II. INFORMATION ON THE PARENT BANK’S RATING GIVEN BY INTERNATIONAL CREDIT RATING INSTITUTIONS

<b>November 2019</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Stable
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+
Viability Note	b+
<b>December 2019</b>	<b>Moody’s Investors’ Service</b>
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B3/NP
Foreign Currency Outlook	Negative
<b>December 2019</b>	<b>Standard&amp;Poors</b>
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/-/trA-I
<b>March 2019</b>	<b>JCR Eurasia</b>
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independancy from Shareholders	A

(\*) Dates represent last report dates.



**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 YEAR ENDED DECEMBER 31, 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**OTHER DISCLOSURES AND FOOTNOTES (Continued)**

**III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED**

The bank issued a Vakıfbank financing bill with a term of 94 days, a nominal value of TL 96,299,635 (full TL) and an ISIN code of TRFVKFB42034 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on January 7, 2020.

The bank issued and offered to the public a Vakıfbank financing bill on October 06-07-08,2020 , with a term of 91 days, starting January 10,2020 and ending April 10, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB42026 was determined to have TL 400,000,000 (full TL) nominal value, 91 days term, term ending April 10, 2020, with an annual compound interest rate of 10.0589 % simple interest rate of 9.7000 % and issue price is 97,639.

The bank issued and offered to the public a Vakıfbank financing bill on October 06-07-08,2020 , with a term of 154 days, starting January 10,2020 and ending June 12, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB62016 was determined to have TL 200,000,000 (full TL) nominal value, 154 days term, term ending June 12, 2020, with an annual compound interest rate of 10.0790 % simple interest rate of 9.8000 % and issue price is 96,029.

The bank issued and offered to the public a Vakıfbank financing bill on January 20-21-22,2020 , with a term of 168 days, starting January 24,2020 and ending July 10, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB72015 was determined to have TL 200,000,000 (full TL) nominal value, 168 days term, term ending July 10, 2020, with an annual compound interest rate of 10.0598 % simple interest rate of 9.8000 % and issue price is 95,684.

The bank issued and offered to the public a Vakıfbank financing bill on January 20-21-22,2020 , with a term of 105 days, starting January 24,2020 and ending May 8, 2020 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB52033 was determined to have TL 400,000,000 (full TL) nominal value, 105 days term, term ending May 8, 2020, with an annual compound interest rate of 10.0397 % simple interest rate of 9.7000 % and issue price is 97,285.

The bank issued a Vakıfbank financing bill with a term of 175 days, a nominal value of TL 553,336,896 (full TL) and an ISIN code of TRFVKFB72023 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on January 17, 2020.

The bank issued a Vakıfbank financing bill with a term of 91 days, a nominal value of TL 138,197,900 (full TL) and an ISIN code of TRFVKFB42042 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on January 24, 2020.

The bank issued a Vakıfbank financing bill with a term of 60 days, a nominal value of TL 41,652,582 (full TL) and an ISIN code of TRFVKFB32076 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on January 27, 2020.

Within this context, book-building process in relation to issuance of the Eurobond has been completed and coupon rate has been set at 5.25% in respect of USD 750 million fixed rate notes with semi-annual interest payment, having a maturity on February 5th, 2025 with a term of 5 years.

On January 15, 2020, a total nominal sales transaction of 27,000,000 TL was realized in the price range of 2,28 TL - 2,45 TL regarding the shares of Güneş Sigorta AŞ. With this transaction, the Bank's share in Güneş Sigorta A.Ş.'s capital has been 51.10%.

As part of the ongoing TAM (Turkish ATM Center) project to provide ATM service to all state owned banks, 33.33% share of Bileşim Alternatif Dağıtım Kanalları AŞ, which is totally owned by Türkiye Halk Bankası AŞ has been decided to purchase by Vakıfbank.

**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 YEAR ENDED DECEMBER 31, 2019**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**OTHER DISCLOSURES AND FOOTNOTES (Continued)**

**III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED (Continued)**

On 5 February 2020, a new bond issuance amounting to USD 750 million with 5-year maturity, 5.250 percent coupon rate and 5.375 percent final return rate was realized. In the transaction, the largest bond issue in the history of the bank, US \$ 3.5 billion has been collected worldwide.

On February 3<sup>rd</sup>, 2020, the Bank has completed the early redemption of Subordinated Bond (Tier-II) that was released in January 2015, which features to be the first secondary subordinated debt securities in Turkey that fulfills the Basel-III criteria.

The Bank started to disclose JCR Eurasia Rating Corporation in the Affiliates account as of January 2020 after the completion of the transfer of shares.

With the announcement of the Bank dated September 19, 2019, it was declared that in order to improve the infrastructure of member merchants, payment and card systems, and to strengthen trade in our country, Platform Ortak Karlı Sistemler A.Ş. was established in partnership with Turkey Ziraat Bank A.Ş. and Turkey Halk Bankası A.Ş. with a capital of TL 21 Million. Following that, it was decided to change the partnership and capital structure of the company under the coordination of Turkey Asset Fund. In this context, Turkey Asset Fund has launched the share transfer process, after obtaining permission from the competent authority by the PTT A.Ş. share transfer process will be initiated.

The bank issued a Vakıfbank financing bill with a term of 49 days, a nominal value of TL 148,625,000 (full TL) and an ISIN code of TRFVKFB42059 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on February 14, 2020.

The bank issued a Vakıfbank financing bill with a term of 46 days, a nominal value of TL 68,768,348 (full TL) and an ISIN code of TRFVKFB32084 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on February 14, 2020.

The bank issued a Vakıfbank financing bill with a term of 126 days, a nominal value of TL 239,128,418 (full TL) and an ISIN code of TRFVKFB62032 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on February 21, 2020.

The bank issued a Vakıfbank financing bill with a term of 175 days, a nominal value of TL 875,000,000 (full TL) and an ISIN code of TRFVKFB82022 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on February 21, 2020.

The bank issued a Vakıfbank financing bill with a term of 178 days, a nominal value of TL 387,000,000 (full TL) and an ISIN code of TRFVKFB82030 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on February 21, 2020.

The bank issued a Vakıfbank financing bill with a term of 178 days, a nominal value of TL 262,000,000 (full TL) and an ISIN code of TRFVKFB82048 to be sold to qualified investors following the approval of the TL 25,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on February 25, 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 FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

---

**SECTION SEVEN**

**INDEPENDENT AUDITORS’ REPORT**

**I. INFORMATION ON INDEPENDENT AUDITORS’ REPORT**

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the year ended December 31, 2019, have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated February 26, 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 year ended December 31, 2019.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

None.