

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

**(Convenience Translation of Publicly Announced
Unconsolidated 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 Unconsolidated Financial Statements

1. Qualified Opinion

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

In our opinion, except for the effects of the matter on the unconsolidated financial statements described in the Basis for Qualified Opinion section below, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated 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 Unconsolidated Financial Statements; the accompanying unconsolidated financial statements; a portion of free provision amounting to TL 178,000 thousand has been reversed in current period, out of total free provision of TL 1,030,000 provided in prior years by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying unconsolidated 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 Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.



3. Key Audit Matters

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

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><i>Expected Credit Loss in Accordance with TFRS 9 “Financial Instruments Standard” (“TFRS 9”)</i></p> <p>The Bank has total expected credit losses of TL 15,643,462 thousand in respect to loans of TL 292,091,050 thousand which represent a significant portion of the Bank’s total assets in its unconsolidated financial statements as at 31 December 2019. Explanations and notes related to provision for impairment of loans are presented Section III Part VII, Section III Part VIII, Section IV Part II, Section IV Part XI-2, Section V Part I-5 and Section V Part II-7 in the accompanying unconsolidated financial statements as at 31 December 2019.</p> <p>The Bank 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 Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Bank 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 unconsolidated financial statements.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit. We assessed the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p>Within the framework of the policies and procedures applied by the Bank, 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 Bank’s management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information. We have tested model calculations through re-performance together with our modelling specialists on a sample selection basis.</p>



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



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="280 584 815 618"><i>Valuation of Pension Fund Obligations</i></p> <p data-bbox="280 651 858 786">Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying unconsolidated financial statements as at 31 December 2019.</p> <p data-bbox="280 819 858 1525">“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The president of republic is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p data-bbox="280 1559 858 1823">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="898 651 1474 853">Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets on a sample basis.</p> <p data-bbox="898 887 1445 1055">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="898 1088 1445 1223">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="898 1256 1474 1357">In addition to the above procedures, we have reviewed disclosures made with respect to pension funds in the unconsolidated financial statements.</p>



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

The Bank management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the Unconsolidated 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 unconsolidated 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 unconsolidated 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 Bank'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 Bank's 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 unconsolidated 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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, 14 February 2020

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

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

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The unconsolidated financial report as at and for the year ended December 31, 2019, prepared in accordance with the “Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The accompanying unconsolidated financial statements for the year and 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 14, 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 SÜTCÜ AKDAĞ / Manager Name-Surname/Title : İrem COŞKUN / Asst. Manager
Phone no : 0 216 724 31 35 Phone no : 0 216 724 31 40
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED 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 BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“The 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 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 Bank is the Republic of Turkey Ministry of Treasury and Finance.

As at December 31, 2019 and December 31, 2018, the 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 Bank’s shareholders structure as at December 31, 2019 and December 31, 2018 are as stated below:

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

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

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

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

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

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED 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 CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS,
AUDIT COMMITTEE MEMBERS, GENERAL MANAGER, ASSISTANT GENERAL
MANAGERS AND THEIR SHARES IN THE BANK

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
Board of Directors				
Abdülkadir AKSU	Chairman	May 27, 2019	Bachelor's	-
Doç.Dr.Şahap KAVCIOĞLU	Deputy Chairman	August 14, 2018	PhD	25 years
Abdi Serdar ÜSTÜNSALİH	Member – General Manager	May 27, 2019	Master's	28 years
Dr. Adnan ERTEM	Member	October 28, 2010	PhD	31 years
Dilek YÜKSEL	Member	29 March, 2016	Bachelor's	7 years
Şahin UĞUR	Member	June 9, 2017	Bachelor's	33 years
Serdar TUNÇBİLEK	Member	June 9, 2017	Bachelor's	33 years
Dr.Cemil Ragıp ERTEM	Member	August 13, 2018	PhD	21 years
Sadık YAKUT	Member	May 27, 2019	Bachelor's	-
Audit Committee				
Doç.Dr.Şahap KAVCIOĞLU	Member	August 14, 2018	PhD	25 years
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor's	33 years
Auditor				
Yunus ARINCI	Auditor	March 19, 2010	Master's	22 years
Hasan TÜRE	Auditor	June 9, 2017	Bachelor's	35 years
Assistant General Managers				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign 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	May 31, 2019	Bachelor's	26 years
Alaattin ŞİMŞEK	Product Development and Foreign Trade Marketing, 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
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION (Continued)

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

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

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

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, Abdulkadir AKSU, Associate Professor Şahap KAVCIOĞLU and Abdi Serdar ÜSTÜNSALIH 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
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED 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 BANK’S QUALIFIED SHAREHOLDERS

Current Period – 31 December 2019

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

Prior Period – 31 December 2018

Shareholders	Nominal Value of Shares	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
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
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED 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 BANK

The 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 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 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 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 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 Bank can establish, either individually or collectively in an equal manner, pledge or mortgage.

The 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 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.

As at December 31, 2019, the 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 Bank has 16,835 employees (December 31, 2018: 16,767 employees).

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN BANK AND ITS SUBSIDIARIES

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
NOTES TO THE UNCONSOLIDATED 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
UNCONSOLIDATED
FINANCIAL STATEMENTS

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED 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
I. FINANCIAL ASSETS (Net)		23,795,849	49,054,453	72,850,302	16,994,539	33,757,346	50,751,885
1.1 Cash and cash equivalents	V-I-1	2,378,543	39,968,746	42,347,289	5,234,656	32,032,981	37,267,637
1.1.1 Cash and balances at Central Bank	V-I-1	2,387,760	34,107,460	36,495,220	5,235,557	27,018,932	32,254,489
1.1.2 Banks	V-I-3	57	5,861,286	5,861,343	4,544	5,014,049	5,018,593
1.1.3 Receivables from Money Markets		-	-	-	-	-	-
1.1.4 Allowance for expected credit losses (-)	V-I-18	9,274	-	9,274	5,445	-	5,445
1.2 Financial assets at fair value through profit or loss	V-I-2	169,483	2,129,634	2,299,117	1,395	69,766	71,161
1.2.1 Public debt securities		-	2,017,593	2,017,593	-	-	-
1.2.2 Equity instruments		169,483	112,041	281,524	-	69,766	69,766
1.2.3 Other financial assets		-	-	-	1,395	-	1,395
1.3 Financial assets at fair value through other comprehensive income	V-I-4	17,659,223	6,043,312	23,702,535	7,727,407	1,274,971	9,002,378
1.3.1 Public debt securities		17,089,209	6,039,388	23,128,597	7,662,348	1,271,520	8,933,868
1.3.2 Equity instruments		-	3,924	3,924	-	3,451	3,451
1.3.3 Other financial assets		570,014	-	570,014	65,059	-	65,059
1.4 Derivative financial assets	V-I-2	3,588,600	912,761	4,501,361	4,031,081	379,628	4,410,709
1.4.1 Derivative financial assets at fair value through profit or loss		3,588,600	912,761	4,501,361	4,031,081	379,628	4,410,709
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST		222,157,099	101,300,068	323,457,167	172,474,615	89,047,965	261,522,580
2.1 Loans	V-I-5	202,764,067	89,326,983	292,091,050	150,932,385	81,474,522	232,406,907
2.2 Receivables from leasing transactions	V-I-10	-	-	-	-	-	-
2.3 Factoring receivables	V-I-6	35,004,414	12,010,219	47,014,633	32,377,288	7,603,222	39,980,510
2.4 Financial assets measured at amortised cost		34,945,546	11,700,580	46,646,126	32,326,808	7,413,026	39,739,834
2.4.1 Public debt securities		58,868	309,639	368,507	50,480	190,196	240,676
2.4.2 Other financial assets		15,611,382	37,134	15,648,516	10,835,058	29,779	10,864,837
2.5 Allowance for expected credit losses (-)	V-I-16	4,659,610	-	4,659,610	1,618,562	-	1,618,562
3.1 Held for sale purpose		4,659,610	-	4,659,610	1,618,562	-	1,618,562
3.2 Held from discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		2,314,536	486,740	2,801,276	2,647,659	403,558	3,051,217
4.1 Investments in associates (Net)	V-I-7	1,001,717	-	1,001,717	619,582	-	619,582
4.1.1 Associates accounted by using equity method		-	-	-	-	-	-
4.1.2 Non-consolidated associates		1,001,717	-	1,001,717	619,582	-	619,582
4.2 Investments in subsidiaries (Net)	V-I-8	1,312,819	486,740	1,799,559	2,028,077	403,558	2,431,635
4.2.1 Non-consolidated financial subsidiaries		990,508	486,740	1,477,248	1,726,174	403,558	2,129,732
4.2.2 Non-consolidated non-financial subsidiaries		322,311	-	322,311	301,903	-	301,903
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	V-I-9	-	-	-	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	V-I-12	3,008,550	10,110	3,018,660	2,557,495	10,130	2,567,625
VI. INTANGIBLE ASSETS AND GOODWILL (Net)	V-I-13	221,103	-	221,103	218,152	-	218,152
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		221,103	-	221,103	218,152	-	218,152
VII. INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-	-	-	-
VIII. CURRENT TAX ASSETS	V-I-15	747,323	-	747,323	29,776	-	29,776
IX. DEFERRED TAX ASSETS	V-I-17	4,277,313	7,392,799	11,670,112	3,279,602	8,316,242	11,595,844
X. OTHER ASSETS		-	-	-	-	-	-
TOTAL ASSETS		261,181,383	158,244,170	419,425,553	199,820,400	131,535,241	331,355,641

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT DECEMBER 31, 2019**

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

LIABILITIES AND EQUITY	Notes	Audited Current Period December 31, 2019			Audited Prior Period December 31, 2018		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	V-II-1	143,564,555	107,966,344	251,530,899	109,592,026	69,815,881	179,407,907
II. BORROWINGS	V-II-3	897,290	40,181,260	41,078,550	747,607	40,602,229	41,349,836
III. MONEY MARKET FUNDS		19,777,260	5,169,115	24,946,375	26,614,533	2,109,204	28,723,737
IV. MARKETABLE SECURITIES (Net)	V-II-3	11,587,544	17,588,825	29,176,369	7,375,071	14,971,993	22,347,064
4.1 Bills		6,289,792	-	6,289,792	3,645,695	-	3,645,695
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		5,297,752	17,588,825	22,886,577	3,729,376	14,971,993	18,701,369
V. FUNDS		3,053	-	3,053	3,054	-	3,054
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,053	-	3,053	3,054	-	3,054
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	V-II-2	2,226,099	1,085,850	3,311,949	2,123,319	425,858	2,549,177
7.1 Derivative financial liabilities at fair value through profit or loss		2,226,099	1,085,850	3,311,949	2,123,319	425,858	2,549,177
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES	V-II-5	928,854	-	928,854	-	-	-
X. PROVISIONS	V-II-7	2,203,931	5,873	2,209,804	2,266,153	5,206	2,271,359
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,142,042	-	1,142,042	1,035,025	-	1,035,025
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		1,061,889	5,873	1,067,762	1,231,128	5,206	1,236,334
XI. CURRENT TAX LIABILITIES	V-II-8	1,113,379	3,003	1,116,382	774,563	1,301	775,864
XII. DEFERRED TAX LIABILITIES	V-II-8	-	-	-	-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-9	-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT	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
XV. OTHER LIABILITIES	V-II-4	9,362,274	3,489,318	12,851,592	7,381,601	5,173,829	12,555,430
XVI. SHAREHOLDERS' EQUITY	V-II-11	32,748,020	278,253	33,026,273	28,333,549	16,641	28,350,190
16.1 Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves		933,222	180,391	1,113,613	814,670	-	814,670
16.2.1 Equity share premiums		723,918	-	723,918	723,918	-	723,918
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		209,304	180,391	389,695	90,752	-	90,752
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		3,306,170	(144,550)	3,161,620	2,469,172	(3,983)	2,465,189
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		627,615	242,412	870,027	(40,194)	20,624	(19,570)
16.5 Profit reserves		22,578,722	-	22,578,722	17,864,763	-	17,864,763
16.5.1 Legal reserves		2,480,184	-	2,480,184	2,007,670	-	2,007,670
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		19,648,138	-	19,648,138	15,406,693	-	15,406,693
16.5.4 Other profit reserves		450,400	-	450,400	450,400	-	450,400
16.6 Profit or loss		2,802,291	-	2,802,291	4,725,138	-	4,725,138
16.6.1 Prior years' profits or losses		-	-	-	570,816	-	570,816
16.6.2 Current period net profit or loss		2,802,291	-	2,802,291	4,154,322	-	4,154,322
16.7 Minority interests		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		230,807,136	188,618,417	419,425,553	190,879,597	140,476,044	331,355,641

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED 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
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		129,917,675	204,655,091	334,572,766	94,630,911	144,091,940	238,722,851
I. GUARANTEES AND SURETIES	V-III-2	37,521,713	39,814,329	77,336,042	36,971,920	28,193,356	65,165,276
1.1. Letters of guarantee	V-III-1	37,372,041	21,552,240	58,924,281	36,896,905	15,053,372	51,950,277
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		33,145,772	14,471,296	47,617,068	31,775,095	9,151,036	40,926,131
1.2. Bank acceptances		7,842	4,574,992	4,582,834	24,005	2,948,104	2,972,109
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
1.3. Letters of credit	V-III-4	141,830	13,590,815	13,732,645	51,010	10,148,777	10,199,787
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		-	-	-	-	-	-
1.4. Pre-financing given as guarantee		-	4,736	4,736	-	4,199	4,199
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	49,964	49,964	-	38,904	38,904
1.9. Other warranties		-	41,582	41,582	-	-	-
II. COMMITMENTS		50,016,515	32,356,366	82,372,881	36,959,594	26,856,010	63,815,604
2.1. Irrevocable commitments	V-III-1	42,933,038	5,561,794	48,494,832	32,609,583	2,252,627	34,862,210
2.1.1. Asset purchase and sales commitments	V-III-1	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	V-III-1	18,076,739	-	18,076,739	14,103,024	-	14,103,024
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for checks payments	V-III-1	3,528,150	-	3,528,150	1,979,217	-	1,979,217
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits	V-III-1	17,293,741	-	17,293,741	13,549,649	-	13,549,649
2.1.10. Commitments for credit cards and banking services promotions		484,519	-	484,519	571,282	-	571,282
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		1,135,198	-	1,135,198	902,534	-	902,534
2.2. Revocable commitments		7,083,477	26,794,572	33,878,049	4,350,011	24,603,383	28,953,394
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		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	42,379,447	132,484,396	174,863,843	20,699,397	89,042,574	109,741,971
3.1. Derivative financial instruments held for hedging		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2. Trading transactions		42,379,447	132,484,396	174,863,843	20,699,397	89,042,574	109,741,971
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
3.2.2.2. Forward foreign currency sales		1,156,585	1,108,434	2,265,019	598,967	771,629	1,370,596
3.2.2. Currency and interest rate swaps		30,978,513	114,418,040	145,396,553	13,638,148	73,193,459	86,831,607
3.2.2.1. Currency swap purchase transactions		1,781,342	37,631,854	39,413,196	2,532,776	19,685,170	22,217,946
3.2.2.2. Currency swap sale transactions		25,527,171	14,130,170	39,657,341	7,805,372	9,975,981	17,781,353
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 swap 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 options		367,787	294,076	661,863	349,778	865,498	1,215,276
3.2.3.2. Currency sale options		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 purchases futures		-	-	-	-	-	-
3.2.4.2. Currency sales futures		-	-	-	-	-	-
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate purchases futures		-	-	-	-	-	-
3.2.5.2. Interest rate sales futures		-	-	-	-	-	-
3.2.6. Other		8,503,904	15,089,356	23,593,260	5,162,060	12,521,058	17,683,118
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		2,288,614,670	1,572,574,150	3,861,188,820	1,553,971,819	1,217,345,200	2,771,317,019
IV. ITEMS HELD IN CUSTODY		67,575,728	9,468,191	77,043,919	48,337,336	3,671,333	52,008,669
4.1. Assets under management		-	-	-	-	-	-
4.2. Securities held in custody		56,872,721	5,230,911	62,103,632	36,285,318	395,353	36,680,671
4.3. Checks received for collection		8,150,422	1,086,651	9,237,073	9,189,448	1,154,341	10,343,789
4.4. Commercial notes received for collection		1,380,244	300,226	1,680,470	1,522,229	445,168	1,967,397
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		309	97,508	97,817	309	100,301	100,610
4.8. Custodians		1,169,880	2,752,657	3,922,537	1,337,880	1,575,959	2,913,839
V. PLEDGED ITEMS		775,988,471	242,582,316	1,018,570,787	428,045,010	204,235,157	632,280,167
5.1. Marketable securities		299,466	44,434	343,900	354,739	9,824	364,563
5.2. Guarantee notes		837,716	1,783,494	2,621,210	681,820	1,135,681	1,817,501
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	340,951,847	163,744,146	504,695,993
5.6. Other pledged items		115,697,559	44,107,197	159,804,756	52,805,682	37,364,638	90,170,320
5.7. Depositories receiving pledged items		615,777	137,014	752,791	845,339	269,100	1,114,439
VI. ACCEPTED GUARANTEES AND WARRANTS		1,445,050,471	1,320,523,643	2,765,574,114	1,077,589,473	1,009,438,710	2,087,028,183
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		2,418,532,345	1,777,229,241	4,195,761,586	1,648,602,730	1,361,437,140	3,010,039,870

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED 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 Prior Period January 1, 2018- December 31, 2018
I. INTEREST INCOME	V-IV-1	42,074,839	33,953,817
1.1 Interest on loans	V-IV-1	34,700,820	27,331,620
1.2 Interest received from reserve deposits		295,226	389,604
1.3 Interest received from banks	V-IV-1	187,630	177,189
1.4 Interest received from money market transactions		300	18,657
1.5 Interest received from marketable securities portfolio	V-IV-1	6,883,468	6,032,692
1.5.1 Financial assets at fair value through profit or loss		6,025	-
1.5.2 Financial assets at fair value through other comprehensive income		2,154,955	1,008,530
1.5.3 Financial assets measured at amortised cost		4,722,488	5,024,162
1.6 Finance lease interest income		-	-
1.7 Other interest income		7,395	4,055
II. INTEREST EXPENSES	V-IV-2	29,060,127	23,113,130
2.1 Interest on deposits	V-IV-2	18,132,430	15,662,291
2.2 Interest on funds borrowed	V-IV-2	1,515,799	1,218,563
2.3 Interest on money market transactions		5,137,653	3,525,739
2.4 Interest on securities issued	V-IV-2	4,108,916	2,704,252
2.5 Leasing interest income		154,905	-
2.6 Other interest expenses		10,424	2,285
III. NET INTEREST INCOME/EXPENSE (I - II)		13,014,712	10,840,687
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		3,978,688	2,293,210
4.1 Fees and commissions received		5,071,035	3,262,601
4.1.1 Non-cash loans		718,014	481,635
4.1.2 Other		4,353,021	2,780,966
4.2 Fees and commissions paid		1,092,347	969,391
4.2.1 Non-cash loans		632	415
4.2.2 Other		1,091,715	968,976
V. DIVIDEND INCOME	V-IV-3	50,939	129,624
VI. TRADING PROFIT/LOSS (Net)	V-IV-4	(2,583,694)	643,635
6.1 Profit/losses from capital market transactions	V-IV-4	479,903	155,578
6.2 Profit/losses from derivative financial transactions	V-IV-4	(3,663,040)	262,077
6.3 Foreign exchange profit/losses	V-IV-4	599,443	225,980
VII. OTHER OPERATING INCOME	V-IV-5	4,035,254	2,003,613
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		18,495,899	15,910,769
IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-6	8,212,337	4,350,468
X. OTHER PROVISION EXPENSES (-)	V-IV-6	52,362	533,037
XI. PERSONNEL EXPENSES (-)		2,837,255	2,191,782
XII. OTHER OPERATING EXPENSES (-)	V-IV-7	3,781,362	3,681,555
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		3,612,583	5,153,927
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI. NET MONETARY POSITION GAIN/LOSS		-	-
XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-8	3,612,583	5,153,927
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-9	(810,292)	(999,605)
18.1 Current tax provision		(1,715,496)	(745,141)
18.2 Expense effect of deferred tax (+)		(1,061,183)	(1,425,344)
18.3 Income effect of deferred tax (-)		1,966,387	1,170,880
XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	V-IV-10	2,802,291	4,154,322
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from assets held for sale		-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other income from discontinued operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3 Other expenses from discontinued operations		-	-
XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current tax provision		-	-
23.2 Expense effect of deferred tax (+)		-	-
23.3 Income effect of deferred tax (-)		-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV. NET PROFIT/LOSSES (XIX+XXIV)	V-IV-12	2,802,291	4,154,322
25.1 Equity holders of the Bank		-	-
25.2 Non-controlling interest (-)		-	-
Profit/Loss per 100 shares (full TL)	III-XXIV	1.1209	1.6617

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED 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.)

	Audited Current Period January 1, 2019- December 31, 2019	Audited Prior Period January 1, 2018- December 31, 2018
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. PROFIT (LOSS)	2,802,291	4,154,322
II. OTHER COMPREHENSIVE INCOME	1,586,028	361,334
2.1. Other comprehensive income that will not be reclassified to profit or loss	696,431	465,694
2.1.1. Gains (Losses) on Revaluation of Property, Plant and Equipment	8,430	189,679
2.1.2. Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3. Gains (losses) on remeasurements of defined benefit plans	(94,260)	(13,236)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	735,027	356,838
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	47,234	(67,587)
2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss	889,597	(104,360)
2.2.1. Exchange Differences on Translation	-	-
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	1,113,111	(131,303)
2.2.3. Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4. Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
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	(223,514)	26,943
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	4,388,319	4,515,656

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR YEAR ENDED DECEMBER 31, 2019**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Net Income (Loss)	Current Period Net Income (Loss)	Total Shareholders' Equity	
Audited	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6					
Current Period December 31, 2019																
I.	Prior Period End Balance	2,500,000	723,918	-	90,752	1,018,326	(33,854)	1,480,717	80,727	(100,297)	-	17,864,763	4,725,138	-	28,350,190	
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	2,500,000	723,918	-	90,752	1,018,326	(33,854)	1,480,717	80,727	(100,297)	-	17,864,763	4,725,138	-	28,350,190	
IV.	Total Comprehensive Income	-	-	-	-	8,705	(72,311)	760,037	-	889,597	-	-	-	2,802,291	4,388,319	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes	-	-	-	298,943	-	-	-	-	-	-	-	(11,179)	-	287,764	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	4,713,959	(4,713,959)	-	-	
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	4,713,959	(4,713,959)	-	-	
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Ending Balance (I+II+...X+XI)		2,500,000	723,918	-	389,695	1,027,031	(106,165)	2,240,754	80,727	789,300	-	22,578,722	-	2,802,291	33,026,273	

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 financial statements.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR YEAR ENDED DECEMBER 31, 2019**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						
Audited	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income (Loss)	Current Period Net Income (Loss)	Total Shareholders' Equity
Prior Period															
December 31, 2018															
I. Prior Period End Balance		2,500,000	723,918	-	91,823	873,080	(23,265)	1,149,680	80,727	(157,573)	-	14,296,045	3,723,383	-	23,257,818
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	161,636	-	-	570,122	-	731,758
2.1. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	161,636	-	-	570,122	-	731,758
III. Adjusted Beginning Balance (I+II)		2,500,000	723,918	-	91,823	873,080	(23,265)	1,149,680	80,727	4,063	-	14,296,045	4,293,505	-	23,989,576
IV. Total Comprehensive Income		-	-	-	-	145,246	(10,589)	331,037	-	(104,360)	-	-	-	4,154,322	4,515,656
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	(1,071)	-	-	-	-	-	-	-	(28,971)	-	(30,042)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	3,568,718	(3,693,718)	-	(125,000)
11.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	-	(125,000)	-	(125,000)
11.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,568,718	(3,568,718)	-	-
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance (I+II+...X+XI)		2,500,000	723,918	-	90,752	1,018,326	(33,854)	1,480,717	80,727	(100,297)	-	17,864,763	570,816	4,154,322	28,350,190

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 financial statements.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED 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
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		3,722,694	5,889,154
1.1.1 Interests received		37,597,067	28,510,420
1.1.2 Interests paid		(29,099,926)	(22,157,979)
1.1.3 Dividends received		50,939	61,419
1.1.4 Fee and commissions received		5,453,801	3,320,133
1.1.5 Other income		137,761	78,954
1.1.6 Collections from previously written-off loans and other receivables		2,577,980	3,372,562
1.1.7 Cash payments to personnel and service suppliers		(3,113,819)	(2,515,514)
1.1.8 Taxes paid		(2,493,672)	(1,135,686)
1.1.9 Other		(7,387,437)	(3,645,155)
1.2 Changes in operating assets and liabilities		10,256,005	213,473
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(2,016,198)	(70,898)
1.2.2 Net increase (decrease) in due from banks		5,204,139	(3,412,616)
1.2.3 Net increase (decrease) in loans		(58,282,085)	(38,614,794)
1.2.4 Net increase (decrease) in other assets		(3,097,875)	(966,221)
1.2.5 Net increase (decrease) in bank deposits		3,467,355	(2,727,333)
1.2.6 Net increase (decrease) in other deposits		69,090,068	25,619,294
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		(221,344)	12,883,988
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(3,888,055)	7,502,053
I. Net cash flow provided from banking operations		13,978,699	6,102,627
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(16,134,516)	(15,591,207)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(181,576)	(20,443)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		1,342	886
2.3 Cash paid for the purchase of tangible and intangible asset		(325,805)	(2,853,607)
2.4 Cash obtained from the sale of tangible and intangible asset		617,246	1,781,202
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(22,714,132)	(8,652,622)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		11,348,566	4,457,266
2.7 Cash paid for the purchase of financial assets at amortized cost		(6,514,751)	(11,162,210)
2.8 Cash obtained from sale of financial assets at amortized cost		1,664,238	841,350
2.9 Other		(29,644)	16,971
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		12,252,309	9,652,395
3.1 Cash obtained from funds borrowed and securities issued		30,548,498	21,450,192
3.2 Cash outflow from funds borrowed and securities issued		(17,940,337)	(11,672,797)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	(125,000)
3.5 Payments for finance lease liabilities		(355,852)	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		196,541	13,365
V. Net increase/decrease in cash and cash equivalents		10,293,033	177,180
VI. Cash and cash equivalents at beginning of the period	V- VI-4	19,472,141	19,294,961
VII. Cash and cash equivalents at end of the period	V- VI-4	29,765,174	19,472,141

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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED 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
I. DISTRIBUTION OF CURRENT YEAR PROFIT^(*)			
1.1 CURRENT YEAR’S PROFIT		3,612,583	5,153,927
1.2 TAXES AND LEGAL DUTIES PAYABLE		(810,292)	(999,605)
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 ^(**)	V-IV-11	905,204	(254,464)
A. NET PROFIT FOR THE YEAR		2,802,291	4,154,322
1.3 ACCUMULATED LOSSES		-	-
1.4 FIRST LEGAL RESERVES	V-V-5	-	207,716
1.5 OTHER STATUTORY RESERVES	V-V-5	-	207,716
B. NET PROFIT AVAILABLE FOR DISTRIBUTION^(*)		-	3,738,890
1.6 FIRST DIVIDEND TO SHAREHOLDERS		-	-
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		-	-
1.7 DIVIDENDS TO PERSONNEL		-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS		-	-
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		-	-
1.10 SECOND LEGAL RESERVES		-	-
1.11 STATUS RESERVES		-	-
1.12 EXTRAORDINARY RESERVES	V-V-5	-	3,727,711
1.13 OTHER RESERVES		-	-
1.14 SPECIAL FUNDS	V-V-5	-	11,179
II. DISTRIBUTION FROM RESERVES		-	-
2.1 DISTRIBUTION OF RESERVES		-	-
2.2 SECOND LEGAL RESERVES		-	-
2.3 DIVIDENDS TO SHAREHOLDERS		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE		-	-
3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)		1.1209	1.6617
3.2 TO OWNERS OF ORDINARY SHARES (%)		112.09	166.17
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1 TO OWNERS OF ORDINARY SHARES		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

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

^(**) 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.

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

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SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, Turkish Financial Reporting Standards (“TFRS”) enforced by Public Oversight, Accounting and Auditing Standards Authority (“POA”) and related appendices and interpretations (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published. 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 unconsolidated financial statements have been determined and applied by BRSA in accordance with the regulations, communiques, explanations and circulars published in accordance with the accounting and financial reporting principles and if no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS. The accounting principles except TFRS 16 impact, are in accordance with used principles in preparation of yearly unconsolidated 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 unconsolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

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ACCOUNTING POLICIES (Continued)

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

Strategy for the use of financial instruments

Core operations of the Bank, 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 Bank intensively utilizes financial instruments. The 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 Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The 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 Bank gives 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 to liquidity risk, exchange risk, and credit risk within reasonable limits; while enhancing profitability and strengthening the shareholders’ equity.

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

Information on foreign currency transactions

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

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ACCOUNTING POLICIES (Continued)

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

Exchange differences arising on amortized cost of financial assets at fair value through profit or loss are recognized in the income statement. Exchange differences arising on unrealized gains and losses are recognized in other comprehensive income or expense in profit or loss. Foreign exchange profits and losses arising from the translation of monetary items and the collection and payment of foreign currency transactions are included in the 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 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, the Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of VakıfBank International AG’s 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange income 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 fair value risk were effective. Efficiency testing, which is consistent with the 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 bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES

Information on associates and subsidiaries are accounted in the unconsolidated financial statements in accordance with the “Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard” (“TAS 27”).

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ACCOUNTING POLICIES (Continued)

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 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.

V. INFORMATION ON INTEREST INCOME AND EXPENSES

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

Starting from January 1 2018, 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.

VI. INFORMATION ON FEES AND COMMISSIONS

Banking service income is recorded as income when they are collected. Other fee and commission income are transferred to profit/loss accounts according to the principle of periodicity 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 IFRS 15 “Revenue from Contracts with Customers” standard.

VII. INFORMATION ON FINANCIAL ASSETS

The Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to IFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated January 19, 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). 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.

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

The Bank recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by 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 balance.

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 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 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 shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. Equity securities classified as financial assets at fair value through profit/loss are recognized at fair value.

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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.

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

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

Financial Assets Measured at Amortized Cost

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

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

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

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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Derivative Financial Assets

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

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

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

Loans

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

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS

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

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

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

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:

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

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

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

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

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

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

The 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 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.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

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 Bank determines the credit risk impairment provision of the financial asset according to lifetime expected credit loss. Lifetime expected credit losses are credit losses arising from all events that may occur during the expected life of the financial asset. The probability of default, and loss given default are estimated over the life of the loan including the use of multiple scenarios. Expected cash flows are discounted using the original effective interest rate.

Stage 3:

Stage 3 includes financial assets with objective evidence of impairment as of the reporting date. Lifetime expected credit loss is recorded for these assets. The 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 stage 2 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 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 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 Bank takes into account the requirements of TFRS 9 and the relevant BRSA in order to determine the default situation in accordance with the definition of default and its indicators included in the Communiqué on the Calculation of Provisions Regulation and the Amount Based on the Internal Risk Based Approach of the Credit Risk.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS (Continued)

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

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

Write off Policy

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 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 Bank’s portfolio, and they are valued based on the revaluation principles of the related portfolios. Funds received through repurchase agreements are classified in balance sheet under “Money Market Funds” and the related interest expenses are accounted on an accrual basis of balance sheet date.

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

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ACCOUNTING POLICIES (Continued)

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

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

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

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

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill on financial statements.

The Bank’s intangible assets consist of software. Intangible assets are initially recorded at their costs in compliance with the TAS 38 – *Intangible Assets*.

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

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS

The costs of the tangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of December 31, 2004 are considered as their historical costs. Tangible assets purchased after January 1, 2005 were recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any. The Bank 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 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 and estimated useful lives are:

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES

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

The 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 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 Bank 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.

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ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON LEASING ACTIVITIES (Continued)

Instead of recognising leases in the scope of the "IFRS 16 Leases" standard as expenses or prepaid expenses, the Bank 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.

XVI. INFORMATION ON OBLIGATIONS OF THE BANK CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank 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 Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the TAS 19 – Employee Benefits.

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

	Current Period - 31 December 2019
Discount Rate	12.10%
Estimated Inflation Rate	8.20%
Real Wage Increase Rate	9.20%
	Prior Period - 31 December 2018
Discount Rate	15.99%
Estimated Inflation Rate	11.27%
Real Wage Increase Rate	12.27%

Other benefits to employees

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

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

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ACCOUNTING POLICIES (Continued)

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

Pension fund

The employees of the 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.23, 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 issue date of the Banking Law no.5411, issued in 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 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 dated 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.

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ACCOUNTING POLICIES (Continued)

XVI. 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 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 can not be set off from retained earnings.

There is no agreement with the tax authorities about the tax payables in Turkey. Corporate tax return declared until the 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.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

Corporation tax legislation for the foreign branches

Bahrain (Manama)

Bahrain branch is non taxable because there is no corporate tax practice in that country. Bahrain branch’ 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)

Erbil branch 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)

New York branch is taxable according to state law legislation and country law legislation. Double Tax Treaty Agreements is stated for being taxed in Turkey.

Banking and Insurance Transaction Tax

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

Deferred taxes

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

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

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

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

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 the 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.

XVII. INFORMATION ON CASH AND CASH EQUIVALENTS

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

XVIII. ADDITIONAL INFORMATION ON BORROWINGS

The Bank provides funding resources such as syndication and securitization transactions in case of need. In the current period, the Bank has started to obtain funds through domestic and international bonds 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 bank is not hedging about debt instruments.

XIX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

The shares of the 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.

XX. 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.

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ACCOUNTING POLICIES (Continued)

XXI. INFORMATION ON GOVERNMENT INCENTIVES

As at December 31, 2019 and December 31, 2018, the Bank does not have any government incentives.

XXII. 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. It is disclosed in Section 4 Note VII.

XXIII. INFORMATION ON OTHER MATTERS

Earnings per share

Earnings per share has been calculated by dividing the net profit for the year 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 period ended December 31, 2019, earnings per 100 shares are full TL 1.1209 (December 31, 2018: full TL 1.6617).

Related parties

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

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.

The bank’s 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, 2019 is presented in accordance with the current period.

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ACCOUNTING POLICIES (Continued)

XXIV. INFORMATION ON OTHER MATTERS

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 Bank has applied the simplified transition approach and elected not to restate comparative figures. The 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.

	January 1, 2019		
	Service Buildings	Vehicles	Total
Lease payables	1,197,491	29,275	1,226,766
Deferred rental expenses	455,551	4,594	460,145
Right of use assets	741,940	24,681	766,621

	December 31, 2019		
	Service Buildings	Vehicles	Total
Lease payables	1,405,301	19,792	1,425,093
Deferred rental expenses	494,028	2,211	496,239
Lease payables (Net)	911,273	17,581	928,854
Right of use assets	871,107	16,473	887,580

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

	January 1, 2019
Operational Lease Commitments	1,432,947
Commitments exempt from TFRS 16	(206,181)
Total Leasing Liabilities	1,226,766
Discounted Leasing Liabilities (January 1, 2019)	766,621

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, 86,873 thousand TL of lease payments were made in the related period.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON 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 Bank’s equity amount TL 51,694,358 (31 December 2018: 40,705,950 TL) capital adequacy ratio is 16.61% (December 31, 2018: 16.99%).

	Amount	Amount as per the regulation before 1/1/2014(*)
Current Period - December 31, 2019		
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	22,578,722	
Income recognized under equity in accordance with TAS	4,282,362	
Profit	2,802,291	
Current Period’s Profit	2,802,291	
Prior Period’s Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	389,695	
Common Equity Tier 1 Capital Before Deductions	33,276,988	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	250,715	-
Leasehold Improvements on Operational Leases	192,666	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	217,897	221,103
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	661,278	
Common Equity Tier 1 capital (CET1)	32,615,710	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank’s borrowing instruments and related issuance premium	9,670,380	
Bank’s borrowing instruments and related issuance premium (Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital		
Bank’s direct or indirect investment in Tier 1 Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Current Period - December 31, 2019		
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	9,670,380	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	42,286,090	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,873,555	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	488,644	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,540,327	-
Tier 2 Capital Before Deductions	9,413,882	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	9,413,882	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	51,699,972	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	5,614	-
Other accounts to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	51,694,358	-
Total Risk Weighted Amounts	311,140,871	-
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10.48	-
Tier 1 Capital Adequacy Ratio (%)	13.59	-
Capital Adequacy Ratio (%)	16.61	-
BUFFERS		
Total buffer requirement (a+b+c)	2,521	-
a) Capital conservation buffer requirement (%)	2,500	-
b) Bank specific counter-cyclical buffer requirement (%)	0,021	-
c) Systemically important banks buffer requirement (%)**	0,000	-
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 (%)	5.98	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,609,523	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,540,327	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-
*Represents the amounts taken into consideration according to transition clauses.		
**According to the "Regulations on Systemically Important Banks" 4th paragraph of Article 4, the "systemically important banks buffer requirement (%)" is to be filled by the systemically important banks that are not obligated to prepare consolidated financial statements and should be reported as zero for by the other banks.		

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before
Prior Period - December 31, 2018	1/1/2014(*)	
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	-
Share Premium	723,918	-
Reserves	17,864,763	-
Income recognized under equity in accordance with TAS	2,604,377	-
Profit	4,725,138	-
Current Period's Profit	4,154,322	-
Prior Period's Profit	570,816	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	90,752	-
Common Equity Tier 1 Capital Before Deductions	28,508,948	-
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	158,758	-
Leasehold Improvements on Operational Leases	200,571	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	218,152	218,152
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	577,481	-
Common Equity Tier 1 capital (CET1)	27,931,467	-
Additional Tier 1 capital: instruments		
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)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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I. INFORMATION ON EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before
Prior Period - December 31, 2018	1/1/2014(*)	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	4,993,575	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	32,925,042	-
TIER 2 CAPITAL	-	-
Bank's borrowing instruments and related issuance premium	5,010,017	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,772,335	-
Tier 2 Capital Before Deductions	7,782,352	-
Deductions From Tier 2 Capital	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	-	-
Tier 2 Capital	7,782,352	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	40,707,394	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,444	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL	-	-
Total Capital	40,705,950	-
Total Risk Weighted Amounts	239,541,156	-
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio (%)	11.66	-
Tier 1 Capital Adequacy Ratio (%)	13.75	-
Capital Adequacy Ratio (%)	16.99	-
BUFFERS	-	-
Total buffer requirement (a+b+c)	1.895	-
a) Capital conservation buffer requirement (%)	1.875	-
b) Bank specific counter-cyclical buffer requirement (%)	0.020	-
c) Systemically important bank buffer requirement (%) ^(**)	0.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.16	-
Amounts below deduction thresholds	-	-
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,002,420	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,772,335	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

Prior Period - December 31, 2018

Coupons / dividends					
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months
Coupon rate and any related index	6% fixed interest rate	6.875% fixed interest rate	8% fixed interest rate	5 years maturity "Indicator Government Debt Security" +350 basis points	12.62 % fixed interest rate
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible					
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil
Write-down feature					
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	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	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has permanent 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 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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Shareholders' equity	33,026,273	28,350,190
Leasehold improvements on operational leases	(192,666)	(200,571)
Goodwill and intangible assets	(217,897)	(218,152)
General provision (1.25% of the amount that subject to credit risk)	3,540,327	2,772,335
Subordinated debt	15,543,935	10,003,592
Deductions from shareholders' equity	(5,614)	(1,444)
Capital	51,694,358	40,705,950

II. CREDIT RISK

Credit risk is defined as the counterparty's possibility of failing to fulfil 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.

The Bank 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,

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

- 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 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 Bank’s largest 100 cash loan customers compose 30.51% of the total cash loan portfolio (December 31, 2018: 32.18%).

The Bank’s largest 100 non-cash loan customers compose 49.42% of the total non-cash loan portfolio (December 31, 2018: 50.47%).

The Bank’s largest 100 cash loan customers compose 19.99% of total assets of the Bank and the Bank’s largest 100 non-cash loan customers compose 11.42% of total off-balance sheet items (December 31, 2018: 21.52% and 13.78%).

The Bank’s largest 200 cash loan customers compose 38.05% of the total cash loan portfolio (December 31, 2018: 39.40%).

The Bank’s largest 200 non-cash loan customers compose 64.05% of the total non-cash loan portfolio (December 31, 2018: 64.06%).

The Bank’s largest 200 cash loan customers compose 24.93% of total assets of the Bank and the Bank’s largest 200 non-cash loan customers compose 14.80% of total off-balance sheet items (December 31, 2018: 26.35% and 17.49%).

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. 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
Loans	221,179,101	12,806,793	59,090,678	1,843,589	11,821,271	993,080	292,091,050	15,643,462
Stage 1	177,296,821	1,291,905	55,352,529	166,580	10,512,442	143,713	243,161,792	1,602,198
Stage 2	29,656,166	1,734,482	1,646,544	93,684	312,320	31,563	31,615,030	1,859,729
Stage 3	14,226,114	9,780,406	2,091,605	1,583,325	996,509	817,804	17,314,228	12,181,535
Financial Assets	129,749,558	43,805	-	-	-	-	129,749,558	43,805
Non Cash Loans and Commitments	117,369,872	168,114	-	-	-	-	117,369,872	168,114
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
Total	468,298,531	13,018,712	59,090,678	1,843,589	11,821,271	993,080	539,210,480	15,855,381

Prior Period- 31 December 2018	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
Loans	176,378,531	8,437,834	46,279,828	1,542,937	9,752,229	879,619	232,410,588	10,860,390
Stage 1	149,895,271	1,213,634	43,287,111	146,778	8,570,846	172,727	201,753,228	1,533,139
Stage 2	18,258,122	1,220,003	1,222,377	47,698	373,023	39,601	19,853,522	1,307,302
Stage 3	8,225,138	6,004,197	1,770,340	1,348,461	808,360	667,291	10,803,838	8,019,949
Financial Assets	78,384,031	34,944	-	-	-	-	78,384,031	34,944
Non Cash Loans and Commitments	95,699,717	158,570	-	-	-	-	95,699,717	158,570
Stage 1	94,383,980	119,269	-	-	-	-	94,383,980	119,269
Stage 2	943,881	7,766	-	-	-	-	943,881	7,766
Stage 3	371,856	31,535	-	-	-	-	371,856	31,535
Total	350,462,279	8,631,348	46,279,828	1,542,937	9,752,229	879,619	406,494,336	11,053,904

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)	1,533,139	1,307,302	8,019,949
Additional provisions during the period	642,678	1,517,781	4,117,119
Disposals during the period (-)	497,505	567,780	429,221
Deleted from assets (-)	-	-	-
Transfers to stage 1	57,321	(57,114)	(207)
Transfers to stage 2	(106,636)	141,502	(34,866)
Transfers to stage 3	(26,799)	(481,962)	508,761
Provision Balance at the end of the Period	1,602,198	1,859,729	12,181,535

Prior Period - 31 December 2018	Stage 1	Stage 2	Stage 3
Provision balance at the beginning (1 January 2019)	1,437,479	399,173	5,962,524
Additional provisions during the period	518,637	1,337,271	2,342,816
Disposals during the period (-)	319,682	64,920	367,199
Deleted from assets (-)	-	385,709	-
Transfers to stage 1	37,681	(37,546)	(135)
Transfers to stage 2	(107,522)	122,599	(15,077)
Transfers to stage 3	(33,454)	(449,275)	482,729
Provision Balance at the end of the Period	1,533,139	1,307,302	8,019,949

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

The general provision for credit risk amounts to TL 3,609,523 (December 31, 2018: TL 3,002,420).

Risk Classifications:	Current Period Risk Amount ^(**)	Average Risk Amount ^{(*)(**)}
Claims on sovereigns and Central Banks	136,307,603	138,182,188
Claims on regional governments or local authorities	10,786,106	10,588,298
Claims on administrative bodies and other non-commercial undertakings	461,745	517,027
Claims on multilateral development banks	11,952	11,989
Claims on international organizations	-	-
Claims on banks and intermediary institutions	35,115,572	35,807,150
Claims on corporate	162,263,083	141,323,198
Claims included in the regulatory retail portfolios	70,614,817	63,545,444
Claims secured by residential property	61,282,364	56,302,048
Past due loans	5,133,585	3,683,047
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	3,086,724	3,242,569
Other claims	13,930,885	11,619,414

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

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

Risk Classifications:	Prior Period Risk Amount ^(**)	Average Risk Amount ^{(*)(**)}
Claims on sovereigns and Central Banks	132,987,243	109,755,974
Claims on regional governments or local authorities	9,886,540	8,913,121
Claims on administrative bodies and other non-commercial undertakings	537,840	544,150
Claims on multilateral development banks	-	17,865
Claims on international organizations	-	-
Claims on banks and intermediary institutions	25,511,769	24,019,835
Claims on corporate	118,993,094	104,049,591
Claims included in the regulatory retail portfolios	52,839,083	53,471,098
Claims secured by residential property	52,875,268	51,719,716
Past due loans	2,780,208	2,050,478
Higher risk categories decided by the Agency	168,054	338,403
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	3,124,434	2,786,473
Other claims	11,254,434	8,104,547

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. CREDIT RISK (Continued)

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

Current Period December 31, 2019	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	133,032,922	10,786,106	461,745	-	-	11,734,181	152,587,242	70,605,286	61,218,751	5,133,585	-	-	-	-	-	285,448	13,930,885	459,776,151
EU countries	-	-	-	11,759	-	18,842,715	-	-	-	-	5,732	-	-	-	-	-	-	18,860,206
OECD countries (*)	-	-	-	-	-	96,597	-	-	-	-	-	-	-	-	-	-	-	96,597
Off-shore banking regions	-	-	-	-	-	-	7,848,407	8,030	63,263	-	-	-	-	-	-	-	-	7,919,700
USA, Canada	3,213,268	-	-	193	-	3,710,833	1,678,019	1,501	350	-	-	-	-	-	-	-	-	8,604,164
Other countries	61,413	-	-	-	-	677,417	149,415	-	-	-	192,072	-	-	-	-	-	-	1,080,317
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	53,829	-	-	-	-	-	-	-	-	-	2,801,276	-	2,855,105
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	136,307,603	10,786,106	461,745	11,952	-	35,115,572	162,263,083	70,614,817	61,282,364	5,133,585	197,804	-	-	-	-	3,086,724	13,930,885	499,192,240

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. 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	130,923,356	9,886,540	537,840	-	-	3,702,122	109,807,786	52,832,406	52,675,276	2,780,208	-	-	-	-	1,395	73,217	11,254,434	374,474,580
EU countries	-	-	-	-	-	18,065,606	-	-	-	-	-	-	-	-	-	-	-	18,065,606
OECD countries (*)	-	-	-	-	-	6,464	-	-	-	-	-	-	-	-	-	-	-	6,464
Off-shore banking regions	-	-	-	-	-	498,193	7,101,289	3,982	191,539	-	-	-	-	-	-	-	-	7,795,003
USA, Canada	2,063,887	-	-	-	-	2,437,922	1,951,734	2,695	8,453	-	-	-	-	-	-	-	-	6,464,691
Other countries	-	-	-	-	-	738,329	132,285	-	-	-	168,054	-	-	-	-	-	-	1,038,668
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	63,133	-	-	-	-	-	-	-	-	-	3,051,217	-	3,114,350
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	132,987,243	9,886,540	537,840	-	-	25,511,769	118,993,094	52,839,083	52,875,268	2,780,208	168,054	-	-	-	1,395	3,124,434	11,254,434	410,959,362

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. 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
Agricultural	228,761	147	59	-	-	-	566,996	1,037,452	687,544	94,677	-	-	-	-	-	-	-	2,480,119	135,517	2,615,636
<i>Farming and raising livestock</i>	220,050	147	59	-	-	-	542,194	953,382	672,245	93,646	-	-	-	-	-	-	-	2,383,611	98,112	2,481,723
<i>Forestry</i>	4,719	-	-	-	-	-	162	64,620	9,294	640	-	-	-	-	-	-	-	74,841	4,594	79,435
<i>Fishing</i>	3,992	-	-	-	-	-	24,640	19,450	6,005	391	-	-	-	-	-	-	-	21,667	32,811	54,478
Manufacturing	5,567,080	421,596	282	-	-	-	65,867,986	7,370,755	10,297,506	1,376,957	-	-	-	-	-	-	-	43,670,363	47,231,799	90,902,162
<i>Mining</i>	145,140	-	-	-	-	-	5,389,440	195,561	224,719	54,308	-	-	-	-	-	-	-	1,571,586	4,437,582	6,009,168
<i>Production</i>	5,340,305	-	12	-	-	-	43,124,948	6,834,671	9,685,462	849,611	-	-	-	-	-	-	-	36,180,407	29,654,602	65,835,009
<i>Electric, Gas, Water</i>	81,635	421,596	270	-	-	-	17,353,598	340,523	387,325	473,038	-	-	-	-	-	-	-	5,918,370	13,139,615	19,057,985
Construction	2,156,088	24	116	-	-	-	20,040,675	3,572,489	7,733,449	690,074	-	-	-	-	-	-	-	20,899,700	13,293,215	34,192,915
Services	88,128,809	10,361,963	163,733	11,952	-	32,512,593	44,396,057	8,911,878	10,789,581	1,134,504	197,804	-	-	-	-	285,448	-	114,698,430	82,195,892	196,894,322
<i>Wholesale and retail trade</i>	2,778	70	-	-	-	-	16,925	9,186	2,830	125	-	-	-	-	-	-	-	30,100	1,814	31,914
<i>Hotel, Food and Beverage Services</i>	480,614	13	87	-	-	-	3,679,931	1,392,775	4,794,261	790,699	-	-	-	-	-	-	-	4,249,181	6,889,199	11,138,380
<i>Transportation and Telecommunication</i>	711,851	695	14,919	-	-	-	21,846,599	4,175,367	2,492,644	179,079	-	-	-	-	-	-	-	9,235,595	20,185,559	29,421,154
<i>Financial Institutions</i>	86,101,230	-	3,510	11,952	-	32,512,593	15,426,443	691,912	310,717	22,633	197,804	-	-	-	-	285,448	-	82,671,919	52,892,323	135,564,242
<i>Real Estate and renting services</i>	184,910	-	115,270	-	-	-	2,112,450	2,128,597	2,007,634	85,243	-	-	-	-	-	-	-	5,446,793	1,187,311	6,634,104
<i>Self-employment services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Education services</i>	173,724	-	64	-	-	-	634,630	222,174	634,160	33,899	-	-	-	-	-	-	-	1,696,166	2,485	1,698,651
<i>Health and social services</i>	473,702	10,361,185	29,883	-	-	-	679,079	291,867	547,335	22,826	-	-	-	-	-	-	-	11,368,676	1,037,201	12,405,877
Other	40,226,865	2,376	297,555	-	-	2,602,979	31,391,369	49,722,243	31,774,284	1,837,373	-	-	-	-	-	2,801,276	13,930,885	117,488,013	57,099,192	174,587,205
Total	136,307,603	10,786,106	461,745	11,952	-	35,115,572	162,263,083	70,614,817	61,282,364	5,133,585	197,804	-	-	-	-	3,086,724	13,930,885	299,236,625	199,955,615	499,192,240

(*) 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 corporate
- 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 Agency
- 12- Marketable securities secured by mortgages
- 13- Securitization exposures
- 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 claims

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. 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	Toplam
Agricultural	249,212	456	3	-	-	-	191,990	632,031	507,652	-	-	-	-	-	-	-	-	1,502,729	78,615	1,581,344
<i>Farming and raising livestock</i>	241,600	456	3	-	-	-	171,621	588,930	497,290	-	-	-	-	-	-	-	-	1,444,227	55,673	1,499,900
<i>Forestry</i>	4,832	-	-	-	-	-	16	35,356	3,648	-	-	-	-	-	-	-	-	43,852	-	43,852
<i>Fishing</i>	2,780	-	-	-	-	-	20,353	7,745	6,714	-	-	-	-	-	-	-	-	14,650	22,942	37,592
Manufacturing	5,675,662	278,467	53,671	-	-	-	49,667,831	4,337,207	6,962,056	-	-	-	-	-	-	-	-	24,300,338	42,674,556	66,974,894
<i>Mining</i>	152,485	-	-	-	-	-	4,294,125	116,507	177,314	-	-	-	-	-	-	-	-	759,633	3,980,798	4,740,431
<i>Production</i>	5,398,712	-	15	-	-	-	29,637,093	3,980,055	6,477,059	-	-	-	-	-	-	-	-	19,786,620	25,706,314	45,492,934
<i>Electric, Gas, Water</i>	124,465	278,467	53,656	-	-	-	15,736,613	240,645	307,683	-	-	-	-	-	-	-	-	3,754,085	12,987,444	16,741,529
Construction	2,859,902	15	1,952	-	-	-	17,225,897	2,953,683	7,647,094	-	-	-	-	-	-	-	-	18,629,999	12,058,544	30,688,543
Services	88,087,874	9,496,627	232,872	-	-	24,468,675	27,496,056	7,046,188	9,920,884	-	168,054	-	-	-	1,395	73,217	-	99,869,970	67,121,872	166,991,842
<i>Wholesale and retail trade</i>	2,752	447	-	-	-	-	27,335	10,930	1,954	-	-	-	-	-	-	-	-	37,532	5,886	43,418
<i>Hotel, Food and Beverage Services</i>	594,240	11	15	-	-	-	3,308,164	1,002,265	4,446,983	-	-	-	-	-	-	-	-	2,741,981	6,609,697	9,351,678
<i>Transportation and Telecommunication</i>	785,420	32	27,815	-	-	-	17,563,826	4,036,493	1,830,082	-	-	-	-	-	-	-	-	7,777,494	16,466,174	24,243,668
<i>Financial Institutions</i>	85,738,282	36,030	1	-	-	24,468,675	3,948,734	166,081	1,041,133	-	168,054	-	-	-	1,395	73,217	-	73,931,484	41,710,118	115,641,602
<i>Real Estate and renting services</i>	235,130	-	76,382	-	-	-	1,808,132	1,477,467	1,557,067	-	-	-	-	-	-	-	-	3,946,713	1,207,465	5,154,178
<i>Self-employment services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Education services</i>	193,038	-	75	-	-	-	339,487	150,835	527,039	-	-	-	-	-	-	-	-	1,207,501	2,973	1,210,474
<i>Health and social services</i>	539,012	9,460,107	128,584	-	-	-	500,378	202,117	516,626	-	-	-	-	-	-	-	-	10,227,265	1,119,559	11,346,824
Other	36,114,593	110,975	249,342	-	-	1,043,094	24,411,320	37,869,974	27,837,582	2,780,208	-	-	-	-	-	3,051,217	11,254,434	97,850,214	46,872,525	144,722,739
Total	132,987,243	9,886,540	537,840	-	-	25,511,769	118,993,094	52,839,083	52,875,268	2,780,208	168,054	-	-	-	1,395	3,124,434	11,254,434	242,153,250	168,806,112	410,959,362

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. 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	5,217,102	1,209,592	2,761,506	3,785,282	123,334,121	-
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	115,606	299,490	-
Claims on multilateral development banks	-	11,759	193	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	8,179,338	2,539,337	2,434,474	2,201,866	19,760,557	-
Claims on corporate	13,414,985	9,232,873	9,604,852	21,797,937	108,212,436	-
Claims included in the regulatory retail portfolios	967,179	1,206,618	1,993,940	7,596,554	58,850,526	-
Claims secured by residential property	685,644	1,115,576	2,246,873	7,649,724	49,584,547	-
Past due loans	-	-	-	-	-	5,133,585
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	-	-	-	-	3,086,724	-
Other claims	-	-	-	-	13,930,885	-
TOTAL	28,488,487	15,469,885	19,123,177	43,480,236	387,496,870	5,133,585

^(*) 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	27,721,751	2,297,895	1,704,988	3,623,677	97,638,932	-
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	77,099	40,295	413,376	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	1,056,035	2,049,961	166,560	872,582	21,366,631	-
Claims on corporate	4,017,823	5,157,782	9,317,719	18,738,542	81,761,228	-
Claims included in the regulatory retail portfolios	694,769	1,386,213	2,258,762	7,058,781	41,440,558	-
Claims secured by residential property	788,993	1,595,130	2,666,327	8,328,854	39,495,964	-
Past due loans	-	-	-	-	-	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	-	-	-	-	3,124,434	-
Other claims	-	-	-	-	11,254,434	-
TOTAL	34,295,599	12,497,664	16,263,910	38,893,155	306,228,826	2,780,208

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. 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	125,441,701	1,209,176	-	5,229,106	7,852,201	28,893,457	87,688,549	69,451,682	173,136,657	289,711	-	-	-	416,177
Amount after Credit Risk Mitigation	110,554,233	16,178,949	-	-	8,602,550	28,893,457	80,542,304	70,152,481	183,978,555	289,711	-	-	-	416,177

(*) 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	117,650,571	-	8,152,490	24,610,021	71,969,320	52,456,719	135,929,463	190,778	-	-	-	420,167
Amount after Credit Risk Mitigation	114,502,066	-	7,902,337	24,610,021	66,279,733	52,839,083	144,635,344	190,778	-	-	-	420,167

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	-

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. 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)
Agricultural	243,857	333,773	253,914
Farming and raising livestock	232,918	320,384	241,270
Forestry	2,089	10,124	9,434
Fishing	8,850	3,265	3,210
Manufacturing	7,242,511	4,186,138	3,226,121
Mining	196,025	248,310	208,954
Production	3,946,418	2,974,874	2,368,787
Electric, Gas, Water	3,100,068	962,954	648,380
Construction	9,137,386	2,242,515	2,051,312
Services	13,131,731	7,625,936	6,052,588
Wholesale and retail trade	5,697,204	3,934,402	3,219,210
Hotel, Food and Beverage Services	605,995	1,680,131	932,996
Transportation and telecommunication	2,682,332	645,018	731,296
Financial Institutions	190,429	49,744	35,288
Real estate and renting services	1,882,115	213,600	284,922
Self-employment services	1,665,810	900,140	679,144
Education services	241,209	87,847	68,873
Health and social services	166,637	115,054	100,859
Other	1,859,545	2,925,866	2,457,329
Toplam	31,615,030	17,314,228	14,041,264

Prior Period - December 31, 2018	Impaired (TFRS 9)		
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions (TFRS 9)
Agricultural	131,053	251,739	180,953
Farming and raising livestock	128,635	238,355	169,297
Forestry	1,308	9,861	8,738
Fishing	1,110	3,523	2,918
Manufacturing	4,594,109	1,984,435	1,756,576
Mining	112,778	168,057	129,598
Production	2,746,009	1,800,352	1,521,880
Electric, Gas, Water	1,735,322	16,026	105,098
Construction	4,407,345	1,230,466	1,053,271
Services	9,541,854	4,026,580	3,689,546
Wholesale and retail trade	4,453,264	2,637,366	2,461,121
Hotel, Food and Beverage Services	625,700	164,379	172,532
Transportation and telecommunication	1,292,096	443,179	438,652
Financial Institutions	254,852	13,101	19,095
Real estate and renting services	1,721,549	240,417	185,378
Self-employment services	1,038,492	386,081	300,886
Education services	97,425	42,722	33,781
Health and social services	58,476	99,335	78,101
Other	1,179,161	3,306,937	2,646,905
Total	19,853,522	10,800,157	9,327,251

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. 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^(*)	Closing Balance
Specific provisions	8,051,484	5,211,472	(1,017,449)	351	12,245,858
General provisions	3,002,420	3,000,865	(2,393,955)	193	3,609,523

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

Prior Period - December 31, 2018	Opening Balance (before TFRS 9) 31 December 2017	Remeasure- ments	Opening Balance (after TFRS 9) 1 January 2018	Provisions reserved during the period	Cancelations	Other Adjustments^(*)	Closing Balance
Specific provisions	6,670,319	(636,295)	6,034,024	2,986,413	(933,910)	(35,043)	8,051,484
General provisions	1,885,493	509,926	2,395,419	1,364,055	(758,836)	1,782	3,002,420

^(*) 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 ^(*)	-	-
Mortgage	7,441,090	4,688,013
Promissory note ^(*)	-	-
Others ^(**)	9,873,138	6,112,144
Total	17,314,228	10,800,157

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

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

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. CREDIT RISK (Continued)

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

Cash loans	Current Period - December 31, 2019	Prior Period - December 31, 2018
Secured Loans:	213,334,195	176,246,675
Secured by mortgages	57,747,262	50,382,328
Secured by cash collateral	1,701,967	1,308,588
Guarantees issued by financial institutions	863,407	491,853
Secured by government institutions or government securities	24,744,773	24,287,362
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	128,276,786	99,776,544
Unsecured Loans	61,442,627	45,360,075
Total performing loans	274,776,822	221,606,750

Non-cash loans	Current Period - December 31, 2019	Prior Period - December 31, 2018
Secured Loans:	44,133,481	36,358,092
Secured by mortgages	5,576,009	4,239,700
Secured by cash collateral	639,016	236,830
Guarantees issued by financial institutions	233,677	211,206
Secured by government institutions or government securities	396,293	608,368
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	37,288,486	31,061,988
Unsecured Loans	33,202,561	28,807,184
Total non-cash loans	77,336,042	65,165,276

Exposures subject to countercyclical capital buffer

Current Period - December 31, 2019

Country	RWA Calculations for	RWA calculations for	Total
	Private Sector Loans in Banking Book	Trading Book	
Turkey	250,100,636	-	250,100,636
Bahrain	7,775,599	-	7,775,599
USA	2,502,126	-	2,502,126
France	2,304,809	-	2,304,809
England	2,235,770	-	2,235,770
Switzerland	1,091,378	-	1,091,378
Iraq	376,547	-	376,547
Netherlands	352,625	-	352,625
Germany	323,499	-	323,499
Canada	224,092	-	224,092
Other	346,070	-	346,070
Total	267,633,151	-	267,633,151

Prior Period - December 31, 2018

Country	RWA Calculations for	RWA calculations for	Total
	Private Sector Loans in Banking Book	Trading Book	
Turkey	193,468,611	-	193,468,611
USA	3,087,559	-	3,087,559
England	2,882,646	-	2,882,646
France	2,190,378	-	2,190,378
Iraq	635,607	-	635,607
Switzerland	382,689	-	382,689
Netherlands	178,000	-	178,000
Germany	155,499	-	155,499
Austria	56,810	-	56,810
Lebanon	44,681	-	44,681
Other	7,332,187	-	7,332,187
Total	210,414,667	-	210,414,667

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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

III. FOREIGN CURRENCY EXCHANGE RISK

Foreign exchange risk that the Bank exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Bank for the positions being 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 Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the 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 and 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 Bank does not have derivative financial instruments held for risk management.

Foreign exchange risk management policy

Risk policy of the 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 Bank has established a foreign currency risk management policy that enables the Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank.

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

	US Dollar	Euro
The Bank’s foreign currency purchase rate at the balance sheet date	5.9550	6.68115
<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
Last 30-days arithmetical average rate	5.8266	6.4623

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. 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 Republic of Turkey	19,134,801	13,282,548	1,690,111	34,107,460
Banks	286,726	4,608,524	966,036	5,861,286
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	4,147,607	1,895,705	-	6,043,312
Loans ⁽¹⁾	42,538,786	47,893,743	96,255	90,528,784
Associates, subsidiaries and joint-ventures	486,740	-	-	486,740
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	-	10,110	-	10,110
Intangible assets	-	-	-	-
Other assets ⁽²⁾	2,681,133	5,340,992	862	8,022,987
Total assets	74,595,400	79,834,275	4,770,857	159,200,532
<i>Liabilities:</i>				
Bank deposits	3,046,127	2,368,286	307,637	5,722,050
Foreign currency deposits	41,995,583	53,882,305	6,366,406	102,244,294
Interbank money market takings	2,001,549	3,167,566	-	5,169,115
Other funding	15,143,770	25,030,627	6,863	40,181,260
Securities issued ⁽³⁾	8,224,043	22,215,358	-	30,439,401
Miscellaneous payables	937,494	399,726	230	1,337,450
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ⁽⁴⁾	331,053	2,638,674	9,554	2,979,281
Total liabilities	71,679,619	109,702,542	6,690,690	188,072,851
Net 'on balance sheet' position	2,915,781	(29,868,267)	(1,919,833)	(28,872,319)
Net 'off-balance sheet' position	(1,979,254)	23,696,865	1,937,708	23,655,319
Derivative assets ⁽⁵⁾	7,791,628	32,111,731	2,728,069	42,631,428
Derivative liabilities ⁽⁵⁾	9,770,882	8,414,866	790,361	18,976,109
Non-cash loans ⁽⁶⁾	18,289,781	21,058,283	466,265	39,814,329
Prior Period - December 31, 2018	Euro	US Dollar	Other FC	Total
Total assets	56,278,566	72,098,998	5,749,959	134,127,523
Total liabilities	54,524,264	81,671,668	3,890,690	140,086,622
Net 'on balance sheet' position	1,754,302	(9,572,670)	1,859,269	(5,959,099)
Net 'off-balance sheet' position	(1,634,522)	9,558,913	(1,852,106)	6,072,285
Derivative assets ⁽⁵⁾	5,836,959	14,534,070	1,773,544	22,144,573
Derivative liabilities ⁽⁵⁾	7,471,481	4,975,157	3,625,650	16,072,288
Non-cash loans ⁽⁶⁾	11,157,110	16,614,455	421,791	28,193,356

- (1). 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.
- (2). Prepaid expenses amounting to TL 122,696 (December 31, 2018: TL 142,476) and derivative financial assets amounting to TL 122,743 (December 31, 2018: TL 63,304) are not included.
- (3). Subordinated debt are shown under securities issued.
- (4). Unearned revenues amounting to TL 206,480 (December 31, 2018: TL 273,713), derivative financial liabilities amounting to TL 60,833 (December 31, 2018: TL 99,068) and equities amounting to TL 278,253 (December 31, 2018: TL 16,641) are not included.
- (5). 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.
- (6). Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10% appreciation of the TL against the following currencies as at and for the period ended December 31, 2019 and December 31, 2018 would have effect on equity and profit or loss (without tax effects) by the amounts shown 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	(618,151)	(618,151)	184,352	184,352
Euro	93,653	44,979	(2,156)	(42,512)
Other currencies	1,788	1,788	1,082	1,082
Total, net (**)	(522,710)	(571,384)	183,278	142,922

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

(**) Associates, subsidiaries, joint ventures, tangible and intangible assets are not included to the analysis.

10% appreciation of the TL against the following currencies as at and for the period ended December 31, 2019 and December 31, 2018 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	Current Period - December 31, 2019		Prior Period- December 31, 2018	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	618,151	618,151	(184,352)	(184,352)
Euro	(93,653)	(44,979)	2,156	42,512
Other currencies	(1,788)	(1,788)	(1,082)	(1,082)
Total, net (**)	522,710	571,384	(183,278)	(142,922)

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

(**) Associates, subsidiaries, joint ventures, tangible and intangible assets are not included to the analysis.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. 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.

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	-	-	-	-	36,155,307	36,495,220
Banks	3,292,055	603,035	329,183	-	-	1,637,070	5,861,343
Financial assets at fair value through profit/loss	-	-	2,017,593	-	-	281,524	2,299,117
Interbank money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,262,635	1,864,878	7,690,645	7,541,293	4,339,160	3,924	23,702,535
Loans and receivables ^(*)	77,980,695	36,513,474	82,326,239	50,762,662	27,193,752	17,314,228	292,091,050
Financial assets measured at amortized cost	9,120,723	4,987,724	12,906,825	13,666,366	6,332,995	-	47,014,633
Other assets ^(**)	629,481	717,725	264,894	2,253,453	746,922	7,349,180	11,961,655
Total assets	93,625,502	44,686,836	105,535,379	74,223,774	38,612,829	62,741,233	419,425,553
<i>Liabilities:</i>							
Bank deposits	6,416,799	3,135,429	311,986	-	-	651,048	10,515,262
Other deposits	139,953,902	35,123,645	15,746,955	148,419	138	50,042,578	241,015,637
Interbank money market takings	21,402,308	2,582,471	221,363	740,233	-	-	24,946,375
Miscellaneous payables	-	-	-	-	-	8,531,664	8,531,664
Securities issued ^(***)	2,365,667	4,298,453	2,829,486	31,993,731	6,934,485	-	48,421,822
Funds borrowed	1,149,442	27,557,201	7,933,675	2,058,503	1,360,533	1,019,196	41,078,550
Other liabilities ^(****)	565,440	764,075	50,492	2,027,070	1,024,307	40,484,859	44,916,243
Total liabilities	171,853,558	73,461,274	27,093,957	36,967,956	9,319,463	100,729,345	419,425,553
On balance sheet long position	-	-	78,441,422	37,255,818	29,293,366	-	144,990,606
On balance sheet short position	(78,228,056)	(28,774,438)	-	-	-	(37,988,112)	(144,990,606)
Off-balance sheet long position	2,535,875	4,804,841	-	-	-	-	7,340,716
Off-balance sheet short position	-	-	(207,784)	(341,823)	(1,938,734)	-	(2,488,341)
Net position	(75,692,181)	(23,969,597)	78,233,638	36,913,995	27,354,632	(37,988,112)	4,852,375

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

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

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

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

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IV. INTEREST RATE RISK

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	-	-	-	-	21,808,456	32,254,489
Banks	2,614,935	598,137	307,355	292,915	-	1,205,251	5,018,593
Financial assets at fair value through profit/loss	-	-	-	-	-	71,161	71,161
Interbank money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	832,803	1,310,211	3,120,813	2,366,136	1,368,963	3,452	9,002,378
Loans and receivables ^(*)	97,827,734	13,271,317	35,198,659	51,877,916	23,431,124	10,800,157	232,406,907
Financial assets measured at amortized cost	6,261,935	4,753,806	11,852,582	9,416,963	7,695,224	-	39,980,510
Other assets ^(**)	608,563	1,285,695	329,122	2,001,941	222,357	8,173,925	12,621,603
Total assets	118,592,003	21,219,166	50,808,531	65,955,871	32,717,668	42,062,402	331,355,641
<i>Liabilities:</i>							
Bank deposits	5,059,670	1,394,780	212,887	-	-	397,207	7,064,544
Other deposits	95,819,478	29,611,534	11,079,417	148,375	-	35,684,559	172,343,363
Interbank money market takings	26,631,990	770,764	196,271	1,124,712	-	-	28,723,737
Miscellaneous payables	-	-	-	-	-	7,336,224	7,336,224
Securities issued ^(***)	1,748,241	1,663,275	4,918,717	18,913,262	8,125,592	-	35,369,087
Funds borrowed	8,355,212	21,209,514	7,923,533	1,878,190	1,551,792	431,595	41,349,836
Other liabilities ^(****)	70,228	268,955	94,689	1,857,982	260,377	36,616,619	39,168,850
Total liabilities	137,684,819	54,918,822	24,425,514	23,922,521	9,937,761	80,466,204	331,355,641
On balance sheet long position	-	-	26,383,017	42,033,350	22,779,907	-	91,196,274
On balance sheet short position	(19,092,816)	(33,699,656)	-	-	-	(38,403,802)	(91,196,274)
Off-balance sheet long position	1,298,343	5,660,915	155,265	-	-	-	7,114,523
Off-balance sheet short position	-	-	-	(2,439,725)	(763,794)	-	(3,203,519)
Net position	(17,794,473)	(28,038,741)	26,538,282	39,593,625	22,016,113	(38,403,802)	3,911,004

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

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. INTEREST RATE RISK (Continued)

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

	Euro	US Dollar	Yen	TL
Current Period - December 31, 2019	%	%	%	%
Assets:				
Cash and balance with CBRT	-	-	-	10.00
Banks	0.01	1.67	-	-
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	3.29	6.90	-	15.79
Loans and receivables	5.49	7.57	-	16.41
Financial assets measured at amortized cost	4.62	6.73	-	12.82
	-	-	-	-
Liabilities:				
Bank deposits	0.50	2.65	-	11.09
Other deposits	0.45	2.16	-	10.41
Interbank money market takings	0.88	2.86	-	11.21
Miscellaneous payables	-	-	-	-
Securities issued (**)	4.04	6.13	-	12.63
Funds borrowed	1.99	4.16	-	7.27
Prior Period - December 31, 2018	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	2.00	-	13.00
Banks	1.27	2.70	-	15.43
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	1.75	6.88	-	16.41
Loans and receivables	5.54	8.04	-	21.07
Financial assets measured at amortized cost	5.05	6.62	-	16.49
	-	-	-	-
Liabilities:				
Bank deposits	1.75	4.03	-	23.50
Other deposits	2.28	4.45	-	19.90
Interbank money market takings	1.04	3.43	-	23.67
Miscellaneous payables	-	-	-	-
Securities issued (**)	2.93	5.64	-	19.22
Funds borrowed	1.59	4.59	-	11.07

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. STOCK POSITION RISKS

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^(*)	Market Value^(*)
Stock Investments			
Stocks quoted in exchange^(*)	766,354	766,354	766,354
1.Stocks Investments Group A	766,354	766,354	766,354
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	2,320,370	2,090,926	-

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

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

Prior Period - December 31, 2018	Comparison		
	Carrying Value	Fair Value^(*)	Market Value^(*)
Stock Investments			
Stocks quoted in exchange^(*)	704,609	704,609	704,609
1.Stocks Investments Group A	704,609	704,609	704,609
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	2,419,825	2,364,849	-

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. STOCK POSITION RISKS (Continued)

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

Total unearned 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 ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	203,193	203,193
3. Other Stocks	-	897,662	897,662	-	-
4. Total	-	897,662	897,662	203,193	203,193

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

Portfolio-Prior Period - December 31, 2018	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total ^(*)	Included in Supplementary Capital	Total ^(*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	38,137	38,137
3. Other Stocks	-	1,497,919	1,497,919	-	-
4. Total	-	1,497,919	1,497,919	38,137	38,137

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period - December 31, 2019	Carrying Value	Total RWA	Minimum Capital Requirement
1. Private Equity Investments	-	-	-
2. Quoted	766,354	766,354	61,308
3. Other Stocks	2,320,370	2,320,370	185,630
4. Total	3,086,724	3,086,724	246,938

Portfolio-Prior Period - December 31, 2018	Carrying Value	Total RWA	Minimum Capital Requirement
1. Private Equity Investments	-	-	-
2. Quoted	704,609	704,609	56,369
3. Other Stocks	2,419,825	2,419,825	193,586
4. Total	3,124,434	3,124,434	249,955

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

The Bank is managing liquidity risk according to risk capacity and the Bank’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 Bank monitors the net liquidity position and liquidity requirements continuously and facing the future. The Bank takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Bank (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.

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

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

The Bank utilizes liquidity ratios, liquidity gap analysis, scenario analysis and stress tests in internal measurement of liquidity risk. In the liquidity gap analysis and liquidity stress scenarios, the level of meeting the Bank’s possible cash outflows in the short term of liquid assets is determined and the Bank’s concentration on funding sources and fund uses are analyzed. Liquidity risk measurements are carried out by the Risk Management Department and measurement results, liquidity risk limits and early warning levels are monitored and regularly reported to the executive units responsible for the management of the related risk, and to the senior management and the Board of Directors.

It is taken as a basis that the 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 our 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 our banks reserve deposits liability that it has to allocate in the presence of CBRT, alternative fund sources to provide liquidity that is needed in various stress circumstances and under which circumstances to apply these sources, precautions to minimize time maturity mismatch and provide necessary funds on time, how the mechanism is going to operate in cases of crisis and stress is included in the plan.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. 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, liquidity coverage ratio is calculated for the last three months are presented below.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	29 November 2019	122.57	27 December 2019	412.60
The highest value	1 November 2019	138.93	13 December 2019	597.07

Liquidity Coverage Ratio

		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
Current Period - December 31, 2019					
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			70,400,258	42,111,472
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	116,193,773	51,171,762	9,977,377	5,117,176
3	Stable deposits	32,840,015	-	1,642,001	-
4	Less stable deposits	83,353,758	51,171,762	8,335,376	5,117,176
5	Unsecured wholesale funding, of which:	110,342,019	41,392,522	49,934,723	19,017,309
6	Operational deposits	61,848,050	20,761,225	15,462,013	5,190,306
7	Non-operational deposits	35,335,440	15,461,064	21,400,781	8,738,032
8	Unsecured debt	13,158,529	5,170,233	13,071,929	5,088,971
9	Secured wholesale funding			-	-
10	Additional requirements of which:	27,523,585	5,879,539	27,523,585	5,879,539
11	Outflows related to derivative exposures and other collateral requirements	27,523,585	5,879,539	27,523,585	5,879,539
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	29,547,347	27,726,674	1,477,367	1,386,334
15	Other contingent funding obligations	85,261,350	19,512,051	7,965,067	1,794,320
16	TOTAL CASH OUTFLOWS			96,878,119	33,194,678
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	22,365,240	9,751,108	15,866,748	8,014,757
19	Other cash inflows	26,842,231	26,677,926	26,842,231	26,677,926
20	TOTAL CASH INFLOWS	49,207,471	36,429,034	42,708,979	34,692,683
Upper Limit Applied Amounts					
21	TOTAL HQLA			70,400,258	42,111,472
22	TOTAL NET CASH OUTFLOWS			54,169,140	8,298,670
23	LIQUIDITY COVERAGE RATIO (%)			130.19	510.41

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

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VI. 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, liquidity coverage ratio is calculated for the last three months are presented below.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	October 5, 2018	95.45	October 5, 2018	194.23
The highest value	December 14, 2018	130.18	December 14, 2018	340.64

		Total unweighted value*		Total weighted value*	
		TL+FC	FC	TL+FC	FC
Prior Period - December 31, 2018					
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			43,326,256	27,330,227
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	96,482,965	36,239,024	8,340,482	3,623,902
3	Stable deposits	26,156,290	-	1,307,814	-
4	Less stable deposits	70,326,675	36,239,024	7,032,668	3,623,902
5	Unsecured wholesale funding, of which:	83,031,298	30,773,958	39,016,863	15,675,331
6	Operational deposits	42,634,113	12,852,329	10,658,528	3,213,082
7	Non-operational deposits	27,836,224	14,090,166	16,185,672	8,711,863
8	Unsecured debt	12,560,961	3,831,463	12,172,663	3,750,386
9	Secured wholesale funding			-	-
10	Additional requirements of which:	10,961,366	8,803,754	10,961,366	8,803,754
11	Outflows related to derivative exposures and other collateral requirements	10,961,366	8,803,754	10,961,366	8,803,754
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	26,016,225	25,270,742	1,300,811	1,263,537
15	Other contingent funding obligations	77,534,230	20,261,289	6,787,435	1,549,908
16	TOTAL CASH OUTFLOWS			66,406,957	30,916,432
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	26,648,871	14,858,466	18,666,234	12,028,063
19	Other cash inflows	8,669,301	8,180,202	8,669,301	8,180,202
20	TOTAL CASH INFLOWS	35,318,172	23,038,668	27,335,535	20,208,265
Upper Limit Applied Amounts					
21	TOTAL HQLA			43,326,256	27,330,227
22	TOTAL NET CASH OUTFLOWS			39,071,422	10,708,167
23	LIQUIDITY COVERAGE RATIO (%)			111.56	263.98

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

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VI. 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.

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities

Current Period – December 31, 2019	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	36,495,220	-	-	-	-	-	-	36,495,220
Banks	1,637,070	3,292,055	603,035	329,183	-	-	-	5,861,343
Financial assets at fair value through profit/loss	-	-	-	2,017,593	-	-	281,524	2,299,117
Interbank money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	462,781	349,263	2,872,227	13,956,936	6,057,404	3,924	23,702,535
Loans and receivables	-	22,700,139	9,340,756	40,796,713	123,640,106	78,299,108	17,314,228	292,091,050
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 (***)	2,992	2,331,626	71,462	292,910	3,012,146	1,158,892	5,091,627	11,961,655
Total assets	38,135,282	30,250,429	11,193,887	49,349,729	167,126,514	100,678,409	22,691,303	419,425,553
Liabilities:								
Bank deposits	651,048	6,416,799	3,135,429	311,986	-	-	-	10,515,262
Other deposits	50,042,578	139,953,902	35,123,645	15,746,955	148,419	138	-	241,015,637
Funds borrowed	-	942,320	4,056,189	17,610,668	9,356,524	9,112,849	-	41,078,550
Interbank money market takings	-	21,402,308	2,582,471	221,363	740,233	-	-	24,946,375
Securities issued (**)	-	2,229,373	3,566,700	495,454	29,933,331	12,196,964	-	48,421,822
Miscellaneous payables	-	6,028,086	-	-	-	-	2,503,578	8,531,664
Other liabilities	-	663,220	1,671,010	169,018	50,492	2,054,392	40,308,111	44,916,243
Total liabilities	50,693,626	177,636,008	50,135,444	34,555,444	40,228,999	23,364,343	42,811,689	419,425,553
Liquidity gap	(12,558,344)	(147,385,579)	(38,941,557)	14,794,285	126,897,515	77,314,066	(20,120,386)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	16,752,759	7,618,261	6,901,026	24,983,777	33,008,190	-	89,264,013
Payables from Derivative Financial Instruments	-	16,725,838	7,813,437	6,751,102	22,755,327	31,554,126	-	85,599,830
Non-cash Loans	41,091,996	2,903,572	6,295,723	15,195,383	9,889,212	1,960,156	-	77,336,042
Prior Period – December 31, 2018								
Total assets	30,894,937	28,031,811	9,284,324	45,085,383	118,469,899	79,240,479	20,348,808	331,355,641
Total liabilities	36,081,766	131,501,236	36,951,995	31,727,791	36,520,324	11,368,944	47,203,585	331,355,641
Liquidity gap	(5,186,829)	(103,469,425)	(27,667,671)	13,357,592	81,949,575	67,871,535	(26,854,777)	-
Net Off Balance Sheet Position								
Receivables from Derivative Financial Instruments	-	(15,664)	108,585	394,877	2,851,166	407,765	-	3,746,729
Payables from Derivative Financial Instruments	-	10,630,781	1,407,572	3,982,511	24,324,945	16,398,541	-	56,744,350
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,586,221	6,765,309	1,137,888	-	65,165,276

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. LEVERAGE RATIO

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

The Bank’s unconsolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 7.92%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2018: 7.59%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

	Current Period - December 31, 2019 ^(*)	Prior Period - December 31, 2018 ^(*)
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	409,983,848	328,997,028
2. Assets deducted in determining Basel III Tier 1 capital	(404,048)	(420,604)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	409,579,800	328,576,424
Derivative exposures		
4. Replacement cost	4,110,907	4,834,634
5. Add-on amount	1,505,390	944,792
6. Total derivative exposures	5,616,297	5,779,426
Securities financing transaction exposures		
7. Gross SFT assets (with no recognition of accounting netting)	2,947,472	4,429,709
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	2,947,472	4,429,709
Other off-balance sheet exposures		
10. Off-balance sheet exposures with gross nominal amount	152,808,834	131,078,486
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(55,296,687)	(46,071,519)
12. Total off-balance sheet exposures	97,512,147	85,006,967
Capital and total exposures		
13. Tier 1 capital	40,823,047	32,143,363
14. Total exposures	515,655,716	423,792,526
Leverage ratio		
15. Leverage ratio	7.92	7.59

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Current Period - December 31, 2019	Carrying Value	Fair Value
Financial Assets:		
Receivables from Interbank Money Markets	-	-
Banks	5,861,343	5,861,343
Financial Assets at Fair Value through Other Comprehensive Income	23,702,535	23,702,535
Assets Measured at Amortised Cost	47,014,633	48,467,373
Loans	292,091,050	276,281,773
Financial Liabilities:		
Bank Deposits	10,515,262	10,515,262
Other Deposits	241,015,637	241,600,368
Funds Borrowed	41,078,550	41,098,467
Marketable Securities	29,176,369	29,895,076
Subordinated Loans	19,245,453	18,737,926
Prior Period - December 31, 2018	Carrying Value	Fair Value
Financial Assets:		
Receivables from Interbank Money Markets	-	-
Banks	5,018,593	5,018,593
Financial Assets at Fair Value through Other Comprehensive Income	9,002,378	9,002,378
Assets Measured at Amortised Cost	39,980,510	36,328,383
Loans	221,546,517	216,707,894
Financial Liabilities:		
Bank Deposits	7,064,544	7,064,544
Other Deposits	172,343,363	172,442,808
Funds Borrowed	41,349,836	41,240,106
Marketable Securities	22,347,064	22,354,253
Subordinated Loans	13,022,023	13,103,514

Fair values of available-for-sale financial assets and held-to-maturity investments 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

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 Bank. This distinction brings about a fair value measurement classification generally as follows:

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

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

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

Classification requires using observable market data if possible.

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

Current Period - December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:	2,129,634	-	169,483	2,299,117
Debt securities	2,017,593	-	-	2,017,593
Equity securities	112,041	-	169,483	281,524
Financial assets at fair value through other comprehensive income	23,128,597	570,014	3,924	23,702,535
Government debt securities	23,128,597	-	-	23,128,597
Equity securities	-	-	3,924	3,924
Other financial assets	-	570,014	-	570,014
Investments in associates and subsidiaries	766,354	-	2,090,926	2,857,280
Total Financial Assets	26,024,585	570,014	2,264,333	28,858,932
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(3,311,949)	-	(3,311,949)
Total Financial Liabilities	-	(3,311,949)	-	(3,311,949)

(*) 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.

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

Prior Period - December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:	1,395	69,766	-	71,161
Debt securities	-	69,766	-	69,766
Investment funds	1,395	-	-	1,395
Financial assets at fair value through other comprehensive income	7,005,956	1,992,971	3,451	9,002,378
Government debt securities	7,005,956	1,927,912	-	8,933,868
Equity securities	-	-	3,451	3,451
Other financial assets	-	65,059	-	65,059
Investments in associates and subsidiaries	704,609	-	2,364,849 ^(*)	3,069,458
Total Financial Assets	7,711,960	2,062,737	2,368,300	12,142,997
Financial liabilities at fair value through profit/loss:	-	(2,549,177)	-	(2,549,177)
Derivative financial liabilities held for trading purpose	-	(2,549,177)	-	(2,549,177)
Total Financial Liabilities	-	(2,549,177)	-	(2,549,177)

(*) 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.

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:

Level 3	Current Period December 31, 2019	Prior Period December 31, 2018
Balance at the beginning of the year	2,368,300	1,634,982
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	(103,967)	733,318
Balance at the end of the year	2,264,333	2,368,300

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

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

X. SEGMENT REPORTING

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

Additionally, the Bank provides banking service to its personnel and enterprises which are active 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 Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail	Corporate/	Treasury	Other and	Total
	Banking	Commercial Banking	Investment Operations	Undistributed	Operations
OPERATING INCOME/ EXPENSES					
Interest Income	8,613,731	22,218,122	11,235,591	7,395	42,074,839
Interest Expense	9,310,367	8,318,733	11,420,603	10,424	29,060,127
Net Interest Income/Losses(Net)	(696,636)	13,899,389	(185,012)	(3,029)	13,014,712
Net Fees and Commissions Income	979,427	2,658,655	340,606	-	3,978,688
Dividend Income	-	-	50,939	-	50,939
Trading Income/ Losses (Net)	-	-	(2,583,694)	-	(2,583,694)
Other Income	-	-	-	4,035,254	4,035,254
Allowance for Expected Credit Losses	1,382,218	6,296,198	530,410	55,873	8,264,699
Other Expenses	-	-	-	6,618,617	6,618,617
Profit Before Taxes	(1,099,427)	10,261,846	(2,907,571)	(2,642,265)	3,612,583
Provision for taxes	-	-	-	(810,292)	(810,292)
Net Profit/ Loss	(1,099,427)	10,261,846	(2,907,571)	(3,452,557)	2,802,291
Segment Assets	68,103,522	166,636,656	166,443,387	15,440,712	416,624,277
Subsidiaries and Associates (Net)	-	-	2,801,276	-	2,801,276
TOTAL ASSETS	68,103,522	166,636,656	169,244,663	15,440,712	419,425,553
Segment Liabilities	108,989,156	134,098,155	126,205,337	17,106,632	386,399,280
Equity	-	-	-	33,026,273	33,026,273
TOTAL LIABILITIES	108,989,156	134,098,155	126,205,337	50,132,905	419,425,553

Prior Period	Retail	Corporate/	Treasury	Other and	Total
	Banking	Commercial Banking	Investment Operations	Undistributed	Operations
OPERATING INCOME/ EXPENSES					
Interest Income	7,140,354	17,240,831	9,568,577	4,055	33,953,817
Interest Expense	8,299,144	6,841,965	7,721,730	250,291	23,113,130
Net Interest Income/Losses(Net)	(1,158,790)	10,398,866	1,846,847	(246,236)	10,840,687
Net Fees and Commissions Income	737,963	1,321,767	233,480	-	2,293,210
Dividend Income	-	-	129,624	-	129,624
Trading Income/ Losses (Net)	-	-	643,635	-	643,635
Other Income	-	-	-	2,003,613	2,003,613
Allowance for Expected Credit Losses	675,894	4,190,284	17,327	-	4,883,505
Other Expenses	-	-	-	5,873,337	5,873,337
Profit Before Taxes	(1,096,721)	7,530,349	2,836,259	(4,115,960)	5,153,927
Provision for taxes	-	-	-	(999,605)	(999,605)
Net Profit/ Loss	(1,096,721)	7,530,349	2,836,259	(5,115,565)	4,154,322
Segment Assets	51,664,996	122,336,326	142,101,420	12,201,682	328,304,424
Subsidiaries and Associates (Net)	-	-	3,051,217	-	3,051,217
TOTAL ASSETS	51,664,996	122,336,326	145,152,637	12,201,682	331,355,641
Segment Liabilities	87,822,090	87,610,639	111,970,069	15,602,653	303,005,451
Equity	-	-	-	28,350,190	28,350,190
TOTAL LIABILITIES	87,822,090	87,610,639	111,970,069	43,952,843	331,355,641

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT

The footnotes and related explanations published in the Official Gazette No. 29511 dated October 23, 2015 and prepared in accordance with the “Explanations Communique on Explanations to the Public Regarding Banks Risk Management” entered into force as of March 31, 2016 are given in this section. Since the Bank 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 bank 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 bank 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 bank 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 Bank in the context of risk management, the internal capital adequacy assessment process (İSEDES) is established in parallel with the budgeting process to determine the internal capital targets consistent with the risk profile and the activity environment and the effects of scenario outcomes on Bank projections is evaluated.

As a part of risk appetite structure, risk limits are set and over-limit exemptions and early warning levels are observed/ followed. The Bank's risk level is limited to the limits consistent with risk appetite. Risk limits are determined in accordance with the size and complexity of the Bank's risk levels, activities, products and services. The limits are reviewed regularly according to market conditions, the Bank's strategy and the risk appetite and updated when necessary. In addition to the limits, early warning levels indicating that the limits are approached are also determined. If the limit levels are approached or exceeded, the relevant units take the necessary 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 Bank's product range and fields of activity are developed.

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XII. INFORMATION ON RISK MANAGEMENT(Continued)

In response to the sudden and unexpected changes in the macroeconomic indicators and Bank'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 bank's risk group (on the balance sheet - off the balance sheet).These risks are subject to stress test applications independently, and can be subject to stress test applications in an integrated way taking into account interactions between them.

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

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

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Risk Weighted Amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period- December 31, 2019	Prior Period - December 31, 2018	Current Period- December 31, 2019
1 Credit Risk (excluding counterparty credit risk) ^(*)	277,444,435	216,696,829	22,195,555
2 Standardised approach	277,444,435	216,696,829	22,195,555
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	5,781,699	5,088,610	462,536
5 Standardised approach for counterparty credit risk	5,781,699	5,088,610	462,536
6 Internal model method	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating based	-	-	-
8 Equity investments in funds – look-through approach	-	1,395	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% weighted risk approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
16 Market risk	7,080,064	996,826	566,405
17 Standardised approach	7,080,064	996,826	566,405
18 Internal model approaches	-	-	-
19 Operational Risk	20,834,673	16,757,496	1,666,774
20 Basic Indicator Approach	20,834,673	16,757,496	1,666,774
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	311,140,871	239,541,156	24,891,270

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

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

1. 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*

	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Current Period - December 31, 2019						
Assets						
Cash and balances at central bank	36,495,220	36,495,220	-	-	-	-
Banks	5,861,343	5,861,343	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	2,299,117	281,524	-	-	-	-
Financial Assets at Fair Value through other comprehensive Income	23,702,535	23,702,535	4,443,499	-	-	-
Financial Asstes Measured at amortised cost	47,014,633	47,014,633	21,285,023	-	-	-
Derivative financial assets	4,501,361	-	4,501,361	-	224,230	-
Non-performing financial assets	17,314,228	17,314,228	-	-	-	-
Provision for expected credit losses	(15,657,790)	(12,181,535)	-	-	-	(3,476,255)
Loans (Net)	274,776,822	274,771,208	-	-	-	5,614
Non-current assets or disposal groups "held for sale" and" from discontinued operations	4,659,610	4,659,610	-	-	-	-
Investments in associates (net)	1,001,717	1,001,717	-	-	-	-
Investments in subsidiaries (net)	1,799,559	1,799,559	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Tangible assets (net)	3,018,660	2,825,994	-	-	-	192,666
Intangible assets (net)	221,103	-	-	-	-	221,103
Investment properties (net)	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-
Deferred tax assets	747,323	747,323	-	-	-	-
Other assets	11,670,112	11,699,589	-	-	-	(29,477)
Total assets	419,425,553	415,992,948	30,229,883	-	224,230	(3,086,349)
Liabilities						
Deposits	251,530,899	-	-	-	-	251,530,899
Funds borrowed	41,078,550	-	-	-	-	41,078,550
Money market funds	24,946,375	-	24,174,182	-	-	772,193
Marketable Securities (net)	29,176,369	-	-	-	-	29,176,369
Funds	3,053	-	-	-	-	3,053
Financial Liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivatives liabilities	3,311,949	-	3,311,949	-	224,230	-
Factoring liabilities	-	-	-	-	-	-
Lease liabilities	928,854	-	-	-	-	928,854
Provisions	2,209,804	-	-	-	-	2,209,804
Current tax liabilities	1,116,382	-	-	-	-	1,116,382
Deferred tax liabilities	-	-	-	-	-	-
Non-current liabilities or disposal groups "held for sale" and" from discontinued operations	-	-	-	-	-	-
Subordinated debts	19,245,453	-	-	-	-	19,245,453
Other liabilities	12,851,592	-	-	-	-	12,851,592
Equity	33,026,273	-	-	-	-	33,026,273
Total liabilities	419,425,553	-	27,486,131	-	224,230	391,939,422

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

1. 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)

Prior Period - December 31, 2018	Carrying values of items (according to TAS)					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
Assets						
Cash and balances at central bank	32,254,489	32,254,489	-	-	-	-
Banks	5,018,593	5,018,593	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	71,161	71,161	-	-	-	-
Financial Assets at Fair Value through other comprehensive Income	9,002,378	9,002,378	2,496,293	-	-	-
Financial Asstes Measured at amortised cost	39,980,510	39,980,510	29,029,809	-	-	-
Derivative financial assets	4,410,709	-	4,410,709	-	148,414	-
Non-performing financial assets	10,800,157	10,800,157	-	-	-	-
Provision for expected credit losses	(10,870,282)	(8,019,949)	-	-	-	(2,850,333)
Loans (Net)	221,606,750	221,605,306	-	-	-	1,444
Non-current assets or disposal groups "held for sale" and" from discontinued operations	1,618,562	1,618,562	-	-	-	-
Investments in associates (net)	619,582	619,582	-	-	-	-
Investments in subsidiaries (net)	2,431,635	2,431,635	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Tangible assets (net)	2,567,625	2,367,054	-	-	-	200,571
Intangible assets (net)	218,152	-	-	-	-	218,152
Investment properties (net)	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-
Deferred tax assets	29,776	29,776	-	-	-	-
Other assets	11,595,844	11,620,896	-	-	-	(25,052)
Total assets	331,355,641	329,400,150	35,936,810	-	148,414	(2,455,218)
Liabilities						
Deposits	179,407,907	-	-	-	-	179,407,907
Funds borrowed	41,349,836	-	-	-	-	41,349,836
Money market funds	28,723,737	-	28,388,956	-	-	334,781
Marketable Securities (net)	22,347,064	-	-	-	-	22,347,064
Funds	3,054	-	-	-	-	3,054
Financial Liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivatives liabilities	2,549,177	-	2,549,177	-	148,413	-
Factoring liabilities	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Provisions	2,271,359	-	-	-	-	2,271,359
Current tax liabilities	775,864	-	-	-	-	775,864
Deferred tax liabilities	-	-	-	-	-	-
Non-current liabilities or disposal groups "held for sale" and" from discontinued operations	-	-	-	-	-	-
Subordinated debts	13,022,023	-	-	-	-	13,022,023
Other liabilities	12,555,430	-	-	-	-	12,555,430
Equity	28,350,190	-	-	-	-	28,350,190
Total liabilities	331,355,641	-	30,938,133	-	148,413	300,417,508

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

1. Linkages between Financial Statements and Regulatory Exposures (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	422,511,902	415,992,948	-	30,229,883	224,230
2	Liabilities carrying value amount under regulatory scope of consolidation	27,486,131	-	-	27,486,131	(224,230)
3	Total net amount under regulatory scope of consolidation	395,025,771	415,992,948	-	2,743,752	-
4	Off-balance sheet amounts	-	-	-	5,528,753	-
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	-	-	-	24,727,220	-
10	Exposure amounts considered for regulatory	-	415,992,948	-	30,255,973	-

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	330,970,418	326,559,709	-	35,936,810	148,414
2	Liabilities carrying value amount under regulatory scope of consolidation	30,938,133	-	-	30,938,133	(148,413)
3	Total net amount under regulatory scope of consolidation	300,032,285	326,559,709	-	4,998,677	1
4	Off-balance sheet amounts	-	-	-	5,222,424	-
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	-	-	-	1,412,843	-
10	Exposure amounts considered for regulatory	-	326,559,709	-	6,635,267	1

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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

1. Credit Risk Explanations

a) General Information on Credit Risk

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

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; 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.

Crediting activities are one of the basic and extensive fields of activities. The 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 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 domestic regulations 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, intelligence units and risk management units are playing an active role.

The Risk Management Department continues its activities to assess, analyze and report on the credit risk in line with the policy document and measurement results and to determine the effect of the Bank 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 bank's top management and the units managing the loan portfolios, trying to be a guide in these matters.

Sectoral, geographical 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 updated considering the Bank's credit policy and economic changes.

The eventual aim of the 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 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 Bank's inner credit rating systems.

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INFORMATION RELATED TO 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	17,314,228	274,776,822	15,643,462	276,447,588
2 Debt Securities	-	71,009,140	10,448	70,998,692
3 Off-balance sheet exposure	689,503	125,141,371	57,760	125,773,114
4 Total	18,003,731	470,927,333	15,711,670	473,219,394

Prior Period - December 31, 2018	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	10,800,157	221,606,750	10,860,390	221,546,517
2 Debt Securities	-	49,187,339	133,290	49,054,049
3 Off-balance sheet exposure	258,210	99,769,276	26,739	100,000,747
4 Total	11,058,367	370,563,365	11,020,419	370,601,313

Changes in stock of defaulted loans and debt securities (*)

	Current Period - December 31, 2019	Prior Period - December 31, 2018
1 Defaulted Loans and debt securities at end of the previous reporting period	10,800,157	7,638,206
2 Loans and debt securities that have defaulted since the last reporting period	9,150,200	6,559,332
3 Returned to non-defaulted status	14,992	6,764
4 Amounts written-off	-	-
5 Other Changes	(2,621,137)	(3,390,617)
6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4+5)	17,314,228	10,800,157

(*) Provisions for non-cash loans that are not indemnified and not converted into cash are not included.

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 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

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

	Credit receivables/risks December 31, 2019	Credit receivables/risks December 31, 2018
Domestic	270,680,361	203,043,490
European Union Countries	-	-
OECD Countries ^(*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,680,341	1,924,528
Other	19,730,348	16,638,732
Total	292,091,050	221,606,750

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

Breakdown of loan receivables by sector

Current Period - December 31, 2019			
Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	2,105,050	333,773	244,603
Farming and raising livestock	2,057,700	320,384	232,349
Forestry	20,350	10,124	9,343
Fishing	27,000	3,265	2,911
Manufacturing	66,254,019	4,186,138	2,823,312
Mining and Quarrying	5,652,410	248,310	195,194
Production	45,402,790	2,974,874	2,138,987
Electricity, Gas, Water	15,198,819	962,954	489,131
Construction	25,265,606	2,242,515	1,559,519
Services	105,071,311	7,625,936	5,136,698
Wholesale and Retail Trade	38,356,445	3,934,402	2,879,944
Accommodation and Dining	8,938,020	1,680,131	899,338
Transportation and Telecommunication	33,873,007	645,018	482,240
Financial Institutions	7,861,830	49,744	27,896
Real Estate and Rental Services	10,911,102	213,600	145,177
Professional Services	2,460,744	900,140	554,488
Educational Services	1,537,485	87,847	54,354
Health and Social Services	1,132,678	115,054	93,261
Other	76,080,836	2,925,866	2,417,403
Total	274,776,822	17,314,228	12,181,535
Prior Period - December 31, 2018			
Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	1,081,774	251,739	175,244
Farming and raising livestock	1,033,544	238,355	163,703
Forestry	10,598	9,861	8,686
Fishing	37,632	3,523	2,855
Manufacturing	48,733,191	1,984,435	1,500,436
Mining and Quarrying	4,509,349	168,057	123,734
Production	30,257,275	1,800,352	1,363,175
Electricity, Gas, Water	13,966,567	16,026	13,527
Construction	25,212,932	1,230,466	887,532
Services	85,327,573	4,026,580	2,853,325
Wholesale and Retail Trade	33,035,827	2,637,366	1,927,627
Accommodation and Dining	8,499,024	164,379	112,967
Transportation and Telecommunication	25,995,785	443,179	328,749
Financial Institutions	4,800,855	13,101	8,219
Real Estate and Rental Services	8,791,044	240,417	131,888
Professional Services	2,311,140	386,081	241,478
Educational Services	1,092,351	42,722	27,855
Health and Social Services	801,547	99,335	74,542
Other	61,251,280	3,306,937	2,603,412
Total	221,606,750	10,800,157	8,019,949

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Breakdown by outstanding maturity

Current Period - December 31, 2019					
Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
22,700,139	9,340,756	40,796,713	123,640,106	78,299,108	274,776,822
Prior Period - December 31, 2018					
Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
21,005,225	6,473,400	40,629,883	90,699,852	62,798,390	221,606,750

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 of the provision allocated receivables and related provisions by geographical regions

Current Period Sonu - December 31, 2019		
Geographical area	Loans Receivables(Risks)	Provisions
Domestic	17,276,728	12,170,658
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	37,036	10,413
Other	464	464
Total	17,314,228	12,181,535

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

Prior Period - December 31, 2018		
Geographical area	Loans Receivables(Risks)	Provisions
Domestic	10,766,615	8,010,009
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,900	9,297
Other	642	643
Total	10,800,157	8,019,949

(*) 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	1,830,671	2,280,775
61-90 days overdue	1,958,813	1,774,842

(*) Loan receivables with overdue loans are taken into consideration.

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INFORMATION RELATED TO 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	14,909,591	6,916,542
Non-performing Loans	972,918	273,455

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", simple financial guarantee method is used for financial guarantees. Cash and cash equivalents 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 Bank receives collaterals such as mortgages, sureties/guarantees and financial collaterals for the loans given.

Credit risk mitigation techniques

Current Period Sonu - December 31, 2019	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures derivatives, of which: secured amount
1 Loans	188,212,952	88,234,636	59,449,229	29,223,994	24,744,773	-	-
2 Debt Securities	70,998,692	-	-	-	-	-	-
3 Total	259,211,644	88,234,636	59,449,229	29,223,994	24,744,773	-	-
4 Of which Defaulted	17,314,228	-	-	-	-	-	-

Prior Period - December 31, 2018	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures derivatives, of which: secured amount
1 Loans	150,170,557	71,375,960	53,821,706	27,937,018	25,372,738	-	-
2 Debt Securities	49,054,049	-	-	-	-	-	-
3 Total	199,224,606	71,375,960	53,821,706	27,937,018	25,372,738	-	-
4 Of which Defaulted	10,800,157	-	-	-	-	-	-

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

c) Credit risk under standardized approach

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

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit risk exposure and credit risk mitigation 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	122,898,061	961,301	132,256,669	520,484	14,499,556	10.92%
2	Exposures to regional governments or local authorities	10,466,717	644,167	10,466,717	315,989	5,390,069	49.99%
3	Exposures to public sector entities	331,505	278,023	331,505	129,094	454,339	98.64%
4	Exposures to multilateral development banks	-	11,952	-	11,952	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	12,563,097	5,630,625	12,563,097	3,675,372	6,914,395	42.58%
7	Exposures to corporates	123,922,958	100,499,288	114,564,350	39,129,888	150,646,555	98.02%
8	Retail exposures	65,771,402	38,019,282	65,771,402	4,359,210	52,136,129	74.34%
9	Exposures secured by residential property	28,407,373	1,186,556	28,407,373	486,084	10,112,710	35.00%
10	Exposures secured by commercial real estate	29,333,342	4,389,453	29,333,342	3,055,565	20,134,270	62.16%
11	Past-due loans	5,133,585	-	5,133,585	-	2,949,679	57.46%
12	Higher-risk categories by the Agency Board	151,421	54,967	151,421	46,383	296,706	150.00%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	13,930,882	-	13,930,882	-	10,823,303	77.69%
17	Investment in equities	3,086,724	-	3,086,724	-	3,086,724	100.00%
18	Total	415,997,067	151,675,614	415,997,067	51,730,021	277,444,435	59.32%

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	97,151,847	1,476,549	104,559,929	858,056	10,481,593	9.94%
2	Exposures to regional governments or local authorities	9,531,739	714,779	9,531,739	351,798	4,939,920	49.98%
3	Exposures to public sector entities	373,161	342,073	373,161	162,563	509,284	95.06%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions and banks	11,222,362	3,156,430	11,222,362	1,950,681	5,566,089	42.25%
7	Exposures to corporates	94,081,441	86,240,472	86,673,359	31,582,758	116,254,671	98.31%
8	Retail exposures	49,341,064	29,055,232	49,341,064	3,480,522	39,354,342	74.50%
9	Exposures secured by residential property	24,215,374	927,883	24,215,374	394,647	8,613,507	35.00%
10	Exposures secured by commercial real estate	26,166,954	3,311,817	26,166,954	2,098,293	17,522,633	61.99%
11	Past-due loans	2,780,208	-	2,780,208	-	1,784,487	64.19%
12	Higher-risk categories by the Agency Board	166,936	1,118	166,936	1,118	252,081	150.00%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	1,395	-	1,395	-	1,395	100.00%
16	Other receivables	11,254,435	-	11,254,435	-	8,293,788	73.69%
17	Investments in equities	3,124,434	-	3,124,434	-	3,124,434	100.00%
18	Total	329,411,350	125,226,353	329,411,350	40,880,436	216,698,224	58.52%

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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	103,900,868	-	-	-	28,814,872	-	-	61,413	-	-	-	132,777,153
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	-	-	-	454,203	-	-	-	-	460,599
4	Exposures to multilateral development banks	11,952	-	-	-	-	-	-	-	-	-	-	11,952
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	630,633	-	3,775,829	-	11,345,555	-	486,452	-	-	-	-	16,238,469
7	Exposures to corporates	888,738	-	468,148	-	3,568,854	-	148,768,498	-	-	-	-	153,694,238
8	Retail exposures	387,161	-	311,744	-	-	69,431,707	-	-	-	-	-	70,130,612
9	Exposures secured by residential property	-	-	-	28,893,457	-	-	-	-	-	-	-	28,893,457
10	Exposures secured by commercial real estate	-	-	-	-	24,509,275	-	7,879,632	-	-	-	-	32,388,907
11	Past-due loans	-	-	-	-	4,398,306	-	704,785	30,494	-	-	-	5,133,585
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	-	-	-	-	-	-	3,086,724	-	-	-	-	3,086,724
17	Investments in equities	2,604,124	-	629,315	-	-	-	10,697,443	-	-	-	-	13,930,882
18	Total	108,431,656	-	5,185,891	28,893,457	83,416,929	69,431,707	172,077,737	289,711	-	-	-	467,727,088

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	84,454,799	-	-	-	20,963,186	-	-	-	-	-	-	105,417,985
2	Exposures to regional governments or local authorities	3,666	-	53	-	9,879,818	-	-	-	-	-	-	9,883,537
3	Exposures to public sector entities	3,332	-	28,885	-	-	-	503,507	-	-	-	-	535,724
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	116,460	-	3,839,234	-	8,838,213	-	379,136	-	-	-	-	13,173,043
7	Exposures to corporates	801,067	-	326,458	-	1,878,425	-	115,250,167	-	-	-	-	118,256,117
8	Retail exposures	260,750	-	120,518	-	-	52,440,318	-	-	-	-	-	52,821,586
9	Exposures secured by residential property	-	-	-	24,610,021	-	-	-	-	-	-	-	24,610,021
10	Exposures secured by commercial real estate	-	-	-	-	21,485,228	-	6,780,019	-	-	-	-	28,265,247
11	Past-due loans	-	-	-	-	2,014,166	-	743,318	22,724	-	-	-	2,780,208
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	-	-	-	-	-	-	3,124,434	-	-	-	-	3,124,434
17	Investments in equities	2,362,238	-	748,012	-	-	-	8,144,185	-	-	-	-	11,254,435
18	Total	88,002,312	-	5,063,160	24,610,021	65,059,036	52,440,318	134,926,161	190,778	-	-	-	370,291,786

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

3. 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 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 bank are being continued.

In addition to the measurement activities, sensitivity and scenario analysis are used to evaluate the resistance of the Bank 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. The Risk Management Department 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 and ISMA 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 Bank follows the limit follow up system. Limits, which are defined as loan limits and compromise limits in the system, are monitored instantaneously.

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

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INFORMATION RELATED TO 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	1,386,991			5,528,753	2,980,565
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)					24,727,220	1,283,622
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)					-	-
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	Total						4,264,187

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	859,649			5,222,424	2,749,166
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)					1,412,843	456,616
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)					-	-
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
6	Total						3,205,782

Capital requirement for credit valuation adjustment (CVA)

Current Period - December 31, 2019		EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		-	-
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,528,753	1,491,631
4	Total subject to the CVA capital obligation	5,528,753	1,491,631
Prior Period - December 31, 2018		EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		-	-
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,222,424	1,879,874
4	Total subject to the CVA capital obligation	5,222,424	1,879,874

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Diğer	Total Credit Exposures(*)
Claims from central governments and central banks	3,408,403	-	-	-	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	11,184,337	-	2,666,296	-	4,149,573	-	160,209	-	716,688	2,782,588
Corporates	2,251,432	4,956,078	-	-	-	-	898,689	-	462,646	1,403,550
Retail portfolios	165,869	268,519	-	-	-	19,975	-	-	29,842	42,430
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 Receivables	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total	17,010,041	5,229,106	2,666,310	-	4,271,620	19,975	1,058,920	-	1,209,176	4,290,067

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counter counterparty risks includes amounts not included in the credit risk.

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standardized approach CCR exposures by risk class and risk weights (Continued)

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Diğer	Total Credit Exposures(*)
Claims from central governments and central banks	27,569,258	-	-	-	-	-	-	-	-	-
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	-	3,089,164	-	6,910,283	-	296,662	-	-	4,369,636
Corporates	30,453	-	-	-	-	-	706,524	-	-	706,524
Retail portfolios	1,096	-	-	-	-	16,401	-	-	-	12,301
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 Receivables	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	29,648,260	-	3,089,329	-	6,910,283	16,401	1,003,302	-	-	5,088,610

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The counterparty reported in the counter counterparty risks includes amounts not included in the credit risk.

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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	-	-	-	-	5,751,709	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	25,728,521	-

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	-	-	-	-	2,858,913	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	31,526,102	-

Loan Derivatives

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	Protection bought	Protection sold	Protection bought	Protection sold
Notionals				
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	-	-	-	-
Total Notionals	1,090,254	2,263,507	190,159	502,138
Fair Values	145,639	498,926	33,188	136,768
Positive fair values (asset)	145,639	-	33,188	-
Negative fair values (liability)	-	498,926	-	136,768

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Central counterparty risks

Current Period - December 31, 2019		Exposure at default (post- CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		25,881
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,209,176	24,183
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	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-
Prior Period - December 31, 2018		Exposure at default (post- CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		2,954
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	162,967	2,588
3	(i) OTC Derivatives	116,467	2,329
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	46,500	259
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	150,000	366
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

4. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

As a result of fluctuations in the financial market, the Bank 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 internal models 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 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. Only by using the 99% of trust range, other measurements that are subject to risk can be daily calculated by using the historical stimulation and Monte Carlo stimulation. 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- Standardized approach

		Current Period - December 31, 2019	Prior Period - December 31, 2018
		RAT	RAT
Outright products			
1	Interest rate risk (general and specific)	988,513	771,963
2	Stock risk (general and specific)	-	-
3	Foreign exchange risk	6,090,545	221,324
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	1,006	3,539
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	7,080,064	996,826

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

5. 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 23 October 2015 is used in the operational risk calculation of the Bank. 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 Bank over the last three years by twelve and half is considered as the operational risk.

Annual gross revenue is calculated by deducting 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.

All staff of the Bank is responsible within the scope of their own roles and work processes of controlling and decreasing operational risks. All units of the Bank are responsible of taking risk-reducing measures through insurance or other risk transfer mechanisms to reduce operational risks that may arise in their own business activities.

Current Period - December 31, 2019	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	9,216,778	10,264,039	13,854,660	11,111,826	15	1,666,774
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	20,834,673

Prior Period - December 31, 2018	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	7,331,177	9,216,778	10,264,039	8,937,331	15	1,340,600
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	16,757,496

6. Interest Rate Risk Related to Banking Book

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	6.02%
Total (for positive shocks)			(4,702,069)	(9.10%)

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	5.45%
Total (for positive shocks)			(3,132,589)	(7.70%)

SECTION FIVE

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Cash	1,450,294	1,003,880	1,455,914	883,834
Central Bank of the Republic of Turkey	529,120	32,733,306	3,393,478	25,750,911
(*)				
Other	408,346	370,274	386,165	384,187
Total	2,387,760	34,107,460	5,235,557	27,018,932

(*) 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 5.0% to 21% in US Dollar or Euro (December 31, 2018: ranging from 4.0% to 20%). According to the principles of communiqué No. 2019/19 dated 9 December 2019, the CBRT pays interest to banks that provide credit growth for Turkish Lira required reserves.

Balances with the Central Bank of 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
Total	529,120	32,733,306	3,393,478	25,750,911

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

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

None.

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

None.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Positive differences on derivative financial assets held for trading purpose

	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	908,654	3,953,573	367,828
Futures	-	-	-	-
Options	205	2,689	192	4,028
Other	-	-	-	-
Total	3,588,600	912,761	4,031,081	379,628

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 31 December 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	57	445,369	4,544	1,304,806
Foreign	-	5,415,917	-	3,709,243
Foreign Head Offices and Branches	-	-	-	-
Total	57	5,861,286	4,544	5,014,049

Due from foreign banks

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	Unrestricted Balance	Restricted Balances (**)	Unrestricted Balance	Restricted Balances (**)
EU Countries	323,817	-	616,762	-
USA, Canada	4,104,101	588,136	2,104,082	584,868
OECD Countries (*)	44,882	-	35,875	-
Off-shore Banking Regions	291	-	231	-
Others	354,690	-	367,425	-
Total	4,827,781	588,136	3,124,375	584,868

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

(**) Restricted balances that occur from securization loans and other common banking activities

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO 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	-	-	-	-
Total	397,624	2,528,365	91,730	46,690

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	-	-	-	-
Total	2,894,007	1,549,492	2,466,748	29,545

Information on financial assets at fair value through other comprehensive income

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Debt securities		23,703,903		9,131,718
Quoted on a Stock Exchange		23,703,903		9,131,718
Unquoted		-		-
Equity securities		3,924		3,451
Quoted on a Stock Exchange		-		-
Unquoted		3,924		3,451
Provisions for impairment losses (-)		5,292		132,791
Total		23,702,535		9,002,378

5. Information on loans

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

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders				
Legal entities	-	-	-	44,668
Real persons	-	-	-	-
Indirect loans provided to the shareholders				
Loans provided to the employees	323,645	-	173,151	-
Total	323,645	-	173,151	44,668

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on loans classified as standart loans and under close monitoring 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
Cash Loans				
Non-specialized loans	243,161,792	16,705,439	1,152,718	13,756,873
Loans given to enterprises	75,210,538	9,023,412	263,784	11,890,861
Export loans	9,567,565	597,917	106,759	4,283
Import loans	-	-	-	-
Loans given to financial sector	4,839,489	-	-	-
Consumer loans	55,352,529	825,615	22,482	798,447
Credit cards	10,512,442	226,655	85,665	-
Other	87,679,229	6,031,840	674,028	1,063,282
Specialized lending	-	-	-	-
Other receivables	-	-	-	-
Total	243,161,792	16,705,439	1,152,718	13,756,873

All creditors, including the Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi A.Ş., a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by LYY Telekomünikasyon AŞ as December 21, 2018. The Bank participated in LYY Telekomünikasyon AŞ with a 4.2559% share. At the Ordinary General Assembly Meeting of LYY dated September 23, 2019, it was decided that a portion of the loan would be converted to capital and added to the capital of LYY. In this context, the nominal value of the Bank's shares in LYY increased from TL 2 to TL 169,483. This amount is presented under “Financial assets at fair value through profit or loss” in the financial statements. As of 31 December 2019, the amount is TL 802,278 (31 December 2018: TL 788,795) and the provision is TL 65,100 (31 December 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
Cash Loans				
Non-specialized loans	201,753,228	12,936,980	418,422	6,498,120
Loans given to enterprises	60,663,397	4,767,078	296,800	5,590,078
Export loans	9,570,984	329,254	-	-
Import loans	-	-	-	-
Loans given to financial sector	2,303,116	80,999	-	-
Consumer loans	43,287,111	931,656	27,571	263,150
Credit cards	8,570,846	302,726	70,297	-
Other	77,357,774	6,525,267	23,754	644,892
Specialized lending	-	-	-	-
Other receivables	-	-	-	-
Total	201,753,228	12,936,980	418,422	6,498,120

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Current Period - December 31, 2019	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,602,198	-
Significant Increase in Credit Risk	-	1,859,729
Prior Period - December 31, 2018	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,533,139	-
Significant Increase in Credit Risk	-	1,307,302

Maturity analysis of cash loans

Current Period - December 31, 2019	Loans under close monitoring		
	<i>Standard Loans</i>	<i>Loans not Subject to Restructuring</i>	<i>Loans Restructured</i>
Short-term Loans	57,669,807	3,910,557	1,592,206
Medium, Long-term Loans	185,491,985	12,794,882	13,317,385
Prior Period - December 31, 2018	Loans under close monitoring		
	<i>Standard Loans</i>	<i>Loans not Subject to Restructuring</i>	<i>Loans Restructured</i>
Short-term Loans	51,092,583	3,312,603	828,119
Medium, Long-term Loans	150,660,645	9,624,377	6,088,423

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO 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
Consumer loans – TL	988,803	52,052,993	53,041,796
Housing loans	10,656	23,605,477	23,616,133
Automobile loans	9,031	406,726	415,757
General purpose loans	969,116	28,040,790	29,009,906
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Retail credit cards – TL	8,274,740	83,237	8,357,977
With instalment	3,547,519	78,731	3,626,250
Without instalment	4,727,221	4,506	4,731,727
Retail credit cards – FC	20,464	-	20,464
With instalment	-	-	-
Without instalment	20,464	-	20,464
Personnel loans – TL	15,222	204,352	219,574
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	15,222	204,352	219,574
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	103,355	245	103,600
With instalment	37,687	195	37,882
Without instalment	65,668	50	65,718
Personnel credit cards – FC	471	-	471
With instalment	-	-	-
Without instalment	471	-	471
Overdraft Checking Accounts – TL (Real person)	3,737,396	-	3,737,396
Overdraft Checking Accounts – FC (Real person)	307	-	307
Total	13,140,758	52,340,827	65,481,585

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I. INFORMATION AND DISCLOSURES RELATED TO 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
Consumer loans – TL	657,529	40,105,229	40,762,758
Housing loans	8,745	19,349,641	19,358,386
Automobile loans	2,964	320,676	323,640
General purpose loans	645,820	20,434,912	21,080,732
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Retail credit cards – TL	6,728,410	79,894	6,808,304
With instalment	2,623,619	77,718	2,701,337
Without instalment	4,104,791	2,176	4,106,967
Retail credit cards – FC	11,703	-	11,703
With instalment	-	-	-
Without instalment	11,703	-	11,703
Personnel loans – TL	6,900	83,705	90,605
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	6,900	83,705	90,605
Other	-	-	-
Personnel loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	82,031	282	82,313
With instalment	26,662	272	26,934
Without instalment	55,369	10	55,379
Personnel credit cards – FC	233	-	233
With instalment	-	-	-
Without instalment	233	-	233
Overdraft Checking Accounts – TL (Real person)	3,655,873	-	3,655,873
Overdraft Checking Accounts – FC (Real person)	252	-	252
Total	11,142,931	40,269,110	51,412,041

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Instalment based commercial loans and corporate credit cards

Current Period - December 31, 2019	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,035,959	62,592,816	64,628,775
Real estate loans	2,369	959,353	961,722
Automobile loans	58,230	1,635,806	1,694,036
General purpose loans	1,975,360	59,997,657	61,973,017
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	875,810	875,810
Real estate loans	-	-	-
Automobile loans	-	50,396	50,396
General purpose loans	-	825,414	825,414
Other	-	-	-
Instalment-based commercial loans – FC	349,039	14,850,278	15,199,317
Real estate loans	-	-	-
Automobile loans	-	13,585	13,585
General purpose loans	349,039	14,836,693	15,185,732
Other	-	-	-
Corporate credit cards – TL	2,326,315	13,189	2,339,504
With instalment	684,418	11,672	696,090
Without instalment	1,641,897	1,517	1,643,414
Corporate credit cards – FC	2,746	-	2,746
With instalment	-	-	-
Without instalment	2,746	-	2,746
Overdraft Checking Accounts – TL (Corporate)	1,335,373	-	1,335,373
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	6,049,432	78,332,093	84,381,525

Prior Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,406,196	43,970,768	45,376,964
Real estate loans	6,738	988,053	994,791
Automobile loans	99,511	1,636,908	1,736,419
General purpose loans	1,299,947	41,345,807	42,645,754
Other	-	-	-
Instalment-based commercial loans – FC indexed	18,357	1,479,331	1,497,688
Real estate loans	-	-	-
Automobile loans	-	173,079	173,079
General purpose loans	18,357	1,306,252	1,324,609
Other	-	-	-
Instalment-based commercial loans – FC	59,899	11,756,695	11,816,594
Real estate loans	-	-	-
Automobile loans	-	4,819	4,819
General purpose loans	59,899	11,751,876	11,811,775
Other	-	-	-
Corporate credit cards – TL	2,038,185	1,412	2,039,597
With instalment	426,295	1,412	427,707
Without instalment	1,611,890	-	1,611,890
Corporate credit cards – FC	1,719	-	1,719
With instalment	-	-	-
Without instalment	1,719	-	1,719
Overdraft Checking Accounts – TL (Corporate)	1,937,485	-	1,937,485
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	5,461,841	57,208,206	62,670,047

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Allocation of loan customers

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Public Sector	7,749,314	5,463,209
Private Sector	267,027,508	216,143,541
Total	274,776,822	221,606,750

(*) Non-performing loans are not included.

Allocation of domestic and overseas loans ()*

	Current Period- December 31, 2019	Prior Period - December 31, 2018
Domestic loans	274,272,452	221,092,951
Foreign loans	504,370	513,799
Total	274,776,822	221,606,750

(*) 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	921,932	519,633
Indirect loans to associates and subsidiaries	-	-
Total	921,932	519,633

Specific provisions accounted for loans (Stage 3)

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Loans and receivables with limited collectability	1,589,678	704,225
Loans and receivables with doubtful collectability	1,837,643	1,117,046
Uncollectible loans and receivables	8,754,214	6,198,678
Total	12,181,535	8,019,949

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current period - December 31, 2019			
Gross Amounts Before The Reserves	659,755	466,418	576,565
Loans Which Are Restructured	659,755	466,418	576,565
Prior Period - December 31, 2018			
Gross Amounts Before The Reserves	96,659	196,424	228,364
Loans Which Are Restructured	96,659	196,424	228,364

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - December 31, 2019			
Balance at the beginning of the period	1,617,963	2,067,206	7,114,988
Additions (+)	8,122,630	224,898	802,672
Transfers from other categories of loans under follow-up (+)	-	7,115,093	3,995,707
Transfers to other categories of loans under follow-up (-) ^(*)	6,045,231	5,068,413	55,305
Collections (-)	523,475	868,740	1,185,765
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Balance at the end of the period	3,171,887	3,470,044	10,672,297
Provision (-)	1,589,678	1,837,643	8,754,214
Net balance	1,582,209	1,632,401	1,918,083

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period - December 31, 2018			
Balance at the beginning of the period	753,650	855,985	6,028,571
Additions (+)	4,683,007	248,200	1,628,125
Transfers from other categories of loans under follow-up (+)	-	3,821,716	1,851,359
Transfers to other categories of loans under follow-up (-) ^(*)	3,328,462	2,349,548	19,884
Collections (-)	490,232	509,147	2,373,183
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Balance at the end of the period	1,617,963	2,067,206	7,114,988
Provision (-)	704,225	1,117,046	6,198,678
Net balance	913,738	950,160	916,310

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With	Loans With	
	Limited	Doubtful	Uncollectible
	Collectability	Collectability	Loans
Current Period - December 31, 2019			
Balance at the end of the period	1,376,869	1,427,535	1,174,585
Provision (-)	696,734	729,691	937,437
Net balance on balance sheet	680,135	697,844	237,148
Prior Period - December 31, 2018			
Balance at the end of the period	272,306	103,118	633,267
Provision (-)	133,717	57,766	546,769
Net balance on balance sheet	138,589	45,352	86,498

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

Loan customer concentration of gross and net amounts of non-performing loans

	Group III	Group IV	Group V
	Loans With	Loans With	
	Limited	Doubtful	Uncollectible
	Collectability	Collectability	Loans
Current Period - December 31, 2019			
Current Period (Net)	1,582,209	1,632,401	1,918,083
Consumer and Commercial Loans (Gross)	3,170,083	3,469,979	10,639,149
Provision (-)	1,587,881	1,837,588	8,721,080
Consumer and Commercial Loans (Net)	1,582,202	1,632,391	1,918,069
Banks (Gross)	-	-	1,551
Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	1,804	65	31,597
Provision (-)	1,797	55	31,583
Other Loans and Receivables (Net)	7	10	14
Prior Period - December 31, 2018			
Current Period (Net)	913,738	950,160	916,310
Consumer and Commercial Loans (Gross)	1,617,885	2,067,179	7,081,061
Provision (-)	704,179	1,117,031	6,164,958
Consumer and Commercial Loans (Net)	913,706	950,148	916,103
Banks (Gross)	-	-	1,551
Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	78	27	32,376
Provision (-)	46	15	32,169
Other Loans and Receivables (Net)	32	12	207

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net) - December 31, 2019			
Interest accruals and valuation differences	269,253	304,122	747,230
Provision (-)	134,980	163,251	502,001
Prior Period (Net) - December 31, 2018			
Interest accruals and valuation differences	166,028	186,428	62,724
Provision (-)	81,121	101,688	39,017

6. Information on other 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
Total	34,945,546	11,700,580	32,326,808	7,413,026

Information on other financial assets measured at amortized cost

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Debt Securities	47,014,633	39,980,510
Quoted at stock exchanges	46,895,460	39,895,439
Unquoted at stock exchanges	119,173	85,071
Impairment losses (-)	-	-
Total	47,014,633	39,980,510

The movement table of other financial assets measured at amortized cost

	Current Period - December 31, 2019	Prior Period- December 31, 2018
Balances at the beginning of the period	39,980,510	16,766,071
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
Balances at the end of the period	47,014,633	39,980,510

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

(**) In the previous period, the Bank has applied the transition to the management model for certain government debt securities as a financial asset measured at amortized cost within the transition to TFRS 9. Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Information on accounts related to financial assets measured at amortized cost

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

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

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

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

7. Information on investments in associates

Information on 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
3 Roketsan Roket Sanayi ve Ticaret AŞ ^(*)	Ankara/ Turkey	9.93	9.93
4 Bankalararası Kart Merkezi AŞ	İstanbul/ Turkey	9.70	9.70
5 KKB Kredi Kayıt Bürosu AŞ ^(*)	İstanbul/ Turkey	9.09	9.09
6 Güçbirliği Holding AŞ ^(*)	İzmir/ Turkey	0.07	0.07
7 İzmir Enternasyonal Otelcilik AŞ ^(*)	İstanbul/ Turkey	5.00	5.00
8 İstanbul Takas ve Saklama Bankası AŞ ^(*)	İstanbul/ Turkey	4.37	4.37
9 Kredi Garanti Fonu AŞ ^(*)	Ankara/ Turkey	1.49	1.49
10 Türkiye Ürün İhtisas Borsası AŞ ^(*)	Ankara/ Turkey	3.00	3.00
11 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	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
3	7,295,789	1,912,489	1,274,059	24,608	-	415,038	(238,103)	6,636,818
4	151,277	91,498	70,415	5,102	-	26,624	15,953	-
5	348,965	224,008	234,333	8,774	-	26,579	34,818	-
6	146,887	(93,164)	88,100	1	-	(17,998)	(30,795)	-
7	136,758	(118,791)	78,287	-	-	(23,624)	(90,651)	-
8	14,878,333	2,176,680	128,641	584,078	19,708	506,418	323,776	-
9	672,050	627,215	22,866	43,353	-	96,130	101,243	-
10	31,297	30,904	1,595	4,297	-	3,511	-	-
11	1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Movement table of investments in associates

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Balance at the beginning of the period	619,582	349,158
Movements during the period	382,135	270,424
Transfers	-	-
Acquisitions	1,750	750
Bonus shares received	2,762	35,061
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	377,623	284,168
Impairment losses	-	(49,555)
Balance at the end of the period	1,001,717	619,582
Capital commitments	7,500	2,250
Share percentage at the end of period (%)	-	-

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

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

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of 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 non-compliance 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".

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Sectoral distribution of investments in financial associates

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Banks	327,164	226,768
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	7,659	4,897
Total	334,823	231,665

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	-	-
Total	286,644	186,248

Investments in associates disposed during the period

There is not any associate disposed in the current period.

Investments in associates acquired during the period

In the current period, the Bank participated in Platform Ortak Kartlı Sistemler AŞ, which was established with a capital of TL 21,000. The nominal share of the Bank in the Company is TL 7,000 and its share rate is 33.33%. The Bank is required to pay one quarter of its shares in cash and the remaining three quarters within 24 months of the Company's registration. Transactions regarding the establishment of the Company were registered in the trade registry on 29 August 2019. As of 30 September 2019, the Bank paid one quarter of its share and shares amounting to TL 1,750 are presented under Purchases in the movement table of investments in associates.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries

Information on financial subsidiaries

Current Period - December 31, 2019	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
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	-	-	-	-	-	-
Total Core Capital	1,103,927	239,845	256,036	352,206	639,520	18,704
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-
CAPITAL	1,103,927	239,845	256,036	352,206	639,520	18,704
NET AVAILABLE EQUITY	1,103,927	239,845	256,036	352,206	639,520	18,704

(^o) Reviewed BRSA financial statements as of December 31, 2019 are considered.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries (Continued)

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Prior Period - December 31, 2018								
Paid in Capital	114,483	140,000	35,000	70,000	270,000	26,500	225,000	20,000
Share Premium	-	1,447	137	-	6,112	10,615	268,330	93
Equity share premiums	-	-	-	-	655	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	22,303	115,576	1,809	745,204	63,826	502	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	(5,780)	-	-	-	-	-	-	-
Profit Reserves	571,875	42,610	18,277	74,642	36,425	178,058	113,637	395
Legal Reserves	11,854	7,984	8,601	6,984	17,179	18,385	7,974	395
Statutory reserves	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	34,626	7,368	67,658	19,246	159,673	105,663	-
Other Profit Reserves	560,021	-	2,308	-	-	-	-	-
Profit/Loss	197,108	(43,031)	36,171	82,226	(356,642)	269,967	35,899	(2,906)
<i>Prior Period's Profit/Loss</i>	161,570	(40,798)	1,866	(13,840)	(332,096)	45,301	(2,018)	(3,008)
<i>Current Period's Profit/Loss</i>	35,538	(2,233)	34,305	96,066	(24,546)	224,666	37,917	102
Minority Rights	-	30	-	-	-	-	-	-
Total Core Capital	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-
CAPITAL	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529
NET AVAILABLE EQUITY	877,686	163,359	205,161	228,677	701,099	548,966	643,368	17,529

(^c) Reviewed BRSA financial statements as of December 31, 2019 are considered.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary, measures the capital sufficiency status every six months as an independent audit, in line with the “Communiqué on the Principles of the Capital and Capital Adequacy of Intermediary Agencies” Serial: V, No:34 of the Capital Markets Board. In accordance with the Decree of Measurement of Capital Adequacy of Insurance, Reinsurance and Private Pension Companies published by the Treasury, Güneş Sigorta A.Ş. And Vakıf Emeklilik ve Hayat A.Ş., carrying out operations in insurance sector, measure every six months as independent audit the capital sufficiency status. As per calculations made as of December 30, 2019, the indicated subsidiaries do not need capital.

Information on investments in subsidiaries

	Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1	Vakıf Faktoring AŞ ^(*)	İstanbul/TÜRKİYE	78.39	80.62
2	Vakıf Finansal Kiralama AŞ	İstanbul/ TÜRKİYE	58.71	58.71
3	Vakıf Yatırım Menkul Değerler AŞ ^(*)	İstanbul/ TÜRKİYE	99.25	99.40
4	Vakıfbank International AG ^(*)	Viyana/AVUSTURYA	90.00	90.00
5	Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ ^(*)	İstanbul/ TÜRKİYE	17.37	17.37
6	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ ^(*)	İstanbul/ TÜRKİYE	38.70	38.70
7	Vakıf Enerji ve Madencilik AŞ ^(*)	Ankara/ TÜRKİYE	65.50	80.48
8	Taksim Otelcilik AŞ ^(*)	İstanbul/ TÜRKİYE	51.00	51.00
9	Vakıf Pazarlama Sanayi ve Ticaret AŞ ^(*)	İstanbul/ TÜRKİYE	86.97	88.89
10	Vakıf Gayrimenkul Değerleme AŞ ^(*)	Ankara/ TÜRKİYE	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	2,595,527	343,941	2,551	411,915	-	102,561	53,058	279,386
2	3,031,147	283,345	25,288	237,489	-	31,578	40,055	425,441
3	561,696	231,315	5,417	1,936	5,226	26,186	29,413	293,992
4	5,068,734	937,268	1,388	120,726	-	30,653	40,942	540,822
5	19,150	18,465	277	2,398	410	936	(212)	46,671
6	1,655,112	967,257	879,851	6,784	-	(267)	16,978	573,197
7	312,070	229,347	245,134	3,654	-	854	(8,264)	25,743
8	407,742	392,843	208,609	18,267	1,315	22,686	23,214	453,745
9	84,171	65,819	38,661	5,923	527	6,067	2,811	59,392
10	31,219	23,497	686	3,984	176	(2,637)	(59)	23,742

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

Movement table of investments in subsidiaries

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Balance at the beginning of the period	2,431,635	2,213,858
Movements during the period	(632,076)	217,777
Transfers	(1,547,479)	(52,500)
Acquisitions	179,826	19,693
Bonus shares received	384,233	33,104
Share of current year profit	(42,881)	(49,610)
Sales and liquidations	(1,342)	(885)
Fair value changes	577,799	282,211
Impairment losses	(182,232)	(14,236)
Balance at the end of the period	1,799,559	2,431,635
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

In the current period, Vakıf Emeklilik ve Hayat AŞ, which was classified in the subsidiary account of the Bank, has been decided to be removed from the subsidiaries and the 874,650 TL share corresponding to the share of the Bank is shown in Transfers in the Act of Affiliates table.

In the current period, Güneş Sigorta AŞ, which is in the subsidiary account of the Bank, has been decided to be removed from the subsidiaries and the 672,829 TL share corresponding to the share of the Bank is shown in the 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 Bank's pre-emptive right was fully exercised in the Company's capital increase and the Bank's current nominal share reached TL 129,643. In addition, TL 50,183 has been paid for pre-emptive rights (shares offered to public in the BIAS stock market) which are not exercised by other shareholders against nominal 45,210,297 shares purchased from the prices formed in the BIST Primary Market. Total shares amounting to TL 179,826 are presented under Purchases in the movement table of subsidiaries. Thus, the nominal share of the Bank in Güneş Sigorta AŞ increased from TL 129,643 to TL 304,496 and its share ratio increased from 48.02% to 56.39%.

In the current period, it's been decided to sell 220,000 shares of Vakıf Menkul Değerler A.Ş. has been. After the sale, the Bank's share decreased from TL 4,578 to TL 3,693. TL 220 of the Bank's sales is presented under Sales in the movement table of subsidiaries. After the sale of shares, the 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. TRY 177,089 of bonus shares amounting to EUR 27,000 corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the 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 TRY 140,000 to TRY 175,000. TRY 20,549 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Bank in the Company's capital has increased from TRY 82,197 to TRY 102,746 and the share ratio remains the same 58.71%.

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

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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 TRY 35,000 to TRY 75,000. TRY 39,700 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Bank in the Company's capital has increased from TRY 34,738 to TRY 74,438 and the share ratio remains the same 99.25%.

At the Ordinary General Assembly of Vakıf Emeklilik ve Hayat AŞ held on June 19, 2019, it was decided to increase the Company's capital from TRY 26,500 to TRY 150,000. TRY 66,567 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries. The nominal share of the Bank in the Company's capital has increased from TRY 14,284 to TRY 80,851 and the share ratio remains the same 53.90%.

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

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

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 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 our 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 our Bank, has resolved to increase its capital from TL 217,500 by a bonus increase of TL 7,500 to TL 225,000. TL. 2,903 corresponding to our Bank's shareholding are presented in the Bonus Shares in the movement table for the subsidiaries.

In the prior period, it has been decided to sell 885,160 shares of Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. After the sale, the Bank's share decreased from TL 4,578 to TL 3,693. The share of the 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 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%.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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%.

Methods to measure investments in subsidiaries

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Measured at cost	-	-
Measured at fair value	1,799,559	2,431,635
Equity method of accounting	-	-
Total	1,799,559	2,431,635

(*) Valuation amounts of 31 December 2018 have been taken for the unquoted subsidiaries.

Sectoral distribution of 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
Total	1,477,248	2,129,732

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

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Quoted 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	-	-
Total	479,711	518,361

Investments in subsidiaries disposed during the period

The 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 Bank has no subsidiaries acquired in the current period.

9. Investments in joint-ventures

None.

10. Information on finance lease receivables (net)

None.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	2,017,015	-	59,957	1,716,227	3,793,199
Accumulated depreciation(-)	45,785	-	20,742	1,127,137	1,193,664
Impairment(-)	18,810	-	-	13,100	31,910
Net book value	1,952,420	-	39,215	575,990	2,567,625
TFRS 16 Transition Effect					
Cost	-	766,621	-	-	766,621
Accumulated depreciation(-)	-	-	-	-	-
Net book value at the beginning of the current year	1,952,420	766,621	39,215	575,990	3,334,246
Additions	32,184	475,879	77,378	130,210	715,651
Transferred cost	56,446	-	-	-	56,446
Transferred amortisation	4,738	-	-	-	4,738
Cost of the disposals	569,801	114,684	1,543	46,159	732,187
Classification Among the Tangible Fixed Assets	-	-	-	-	-
Depreciation of the disposals (-)	103	8,505	1,395	35,830	45,833
Depreciation of the current year	9,514	251,299	12,535	150,140	423,488
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	-	-	69	2,904	2,973
Cost at the end of the current year	1,535,844	1,127,816	135,861	1,803,182	4,602,703
Accumulated depreciation at the end of the year (-)	50,430	240,236	31,882	1,241,447	1,563,995
Impairment (-)	15,446	-	-	4,602	20,048
Net book value at the end of the current year	1,469,968	887,580	103,979	557,133	3,018,660

13. Information on intangible assets

Bank's intangible assets consist of computer softwares and licences. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives. The Bank divides the extinction share of intangible assets according to inflation adjusted values.

There is not any intangible asset that is important for fullest extend of financial statements.

Bank does not have any intangible asset that is collateral or acquired by government promotion and has a limitation on usage.

The Bank did not declared a commitment to purchase intangible assets.

14. Information on investment properties

None.

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

15. Information on deferred tax assets

As at December 31, 2019 and December 31, 2018, items generating deferred tax assets or liabilities are listed below:

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Deferred tax assets	1,323,711	799,687
Provision for employee termination benefits and unused vacations	140,208	114,570
Other provisions	14,034	16,834
Valuation differences of associates and subsidiaries	23,456	23,456
Provision (General Provision)	702,720	600,696
Valuation differences of financial assets and liabilities	431,120	42,008
Other differences	12,173	2,123
Deferred tax liabilities	576,388	769,911
Valuation differences of financial assets and liabilities	425,250	601,576
Valuation difference for associates and subsidiaries	60,048	79,982
Valuation differences of properties	72,592	72,866
BRSA - Tax Code depreciation differences	18,498	15,487
Deferred tax assets, (net)	747,323	29,776

The deferred tax asset / liability schedule as of December 31, 2019 and December 31, 2018 is as follows:

	Current Period - December 31, 2019	Prior Period - December 31, 2018
As of 1 January	29,776	(113,735)
Adjustment according to TAS as of January, 1	-	438,676
Deferred tax income/(loss)	905,204	(254,464)
Deferred tax that is accounted under Equity	(176,280)	(40,644)
Other	(11,377)	(57)
Deferred tax asset/(Liability)	747,323	29,776

The reconciliation of the deferred tax on the assets directly related to the equity is as follows:

	Current Period December 31, 2019	Prior Period December 31, 2018
Securities available for sale	(223,516)	(13,466)
Associates and subsidiaries	19,934	(20,723)
Tangible assets	275	(44,432)
Assets held for sale	5,078	(5,078)
Actuarial gains and losses	21,949	2,647
The effect of changes in accounting policies	-	40,408
Total	(176,280)	(40,644)

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I. INFORMATION AND DISCLOSURES RELATED TO 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 3,125,112 (*December 31, 2018: TL 1,581,179*) and the provision for impairment is TL 12,981 (*December 31, 2018: TL 15,117*).

As per the Board of Directors decision in December 13th, 2019, the Bank has started the process of transfer of 56.39% and 53.90% of shares held in subsidiaries Güneş Sigorta and Vakıf Emeklilik ve Hayat A.Ş. respectively, including publicly held shares, to a new company to be established by Türkiye Varlık Fonu Yönetimi A.Ş. Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ have been removed from the Subsidiaries account and started to be disclosed in the Assets Held for Sale and Discontinued Operations account. The mentioned classification amount is 1,547,479 TL.

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I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

17. Information on other assets

As at December 31, 2019 and December 31, 2018 other assets are as follows:

	Current Period December 31, 2019	Prior Period December 31, 2019
Receivables from credit card payments	1,695,301	1,443,032
Prepaid expenses	850,421	1,045,486
Guarantees given for repurchase agreements	9,922	32,741
Receivables from term sale of assets	112,364	72,096
Guarantees given for repurchase agreements	7,996,486	6,891,330
Other	1,005,618	2,111,159
Total	11,670,112	11,595,844

18. Information on expected loss provisions for financial assets and financial assets measured at amortized cost financial assets measured at amortized cost

	Current Period December 31, 2019	Prior Period December 31, 2019
Balances with the Central Bank	374	328
Banks	8,900	5,117
Total	9,274	5,445
Financial Assets Measured at Amortized Cost	5,054	4,447
Total	14,328	9,892

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

1. Information on maturity profile of deposits

Current Period		7	Up to 1			6-12	1 Year and	Accumulating	
December 31, 2019	Demand	Days	Month	1-3 Months	3-6 Months	Months	Over	Deposit	Total
		Notice						Accounts	
Saving deposits	8,578,245	-	8,388,452	37,058,056	2,528,253	276,512	1,890,243	8,620	58,728,381
Foreign currency deposits	15,621,867	-	15,618,203	51,465,995	5,398,393	1,857,362	6,379,869	-	96,341,689
Residents in Turkey	14,649,556	-	15,322,762	49,178,166	4,631,421	978,319	2,235,416	-	86,995,640
Residents in abroad	972,311	-	295,441	2,287,829	766,972	879,043	4,144,453	-	9,346,049
Public sector deposits	8,186,969	-	6,028,510	6,735,622	2,793,367	485,159	29,121	-	24,258,748
Commercial deposits	4,513,944	-	14,278,824	14,138,249	1,767,183	482,234	316,449	-	35,496,883
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	651,048	-	4,541,612	4,525,538	455,074	174,319	167,671	-	10,515,262
Central Bank	661	-	-	-	-	-	-	-	661
Domestic banks	299,252	-	4,234,529	619,030	321,218	12,880	-	-	5,486,909
Foreign banks	104,250	-	307,083	3,906,508	133,856	161,439	167,671	-	4,780,807
Participation banks	246,885	-	-	-	-	-	-	-	246,885
Other	-	-	-	-	-	-	-	-	-
Total	50,693,626	-	50,246,954	121,033,898	16,125,581	3,898,881	9,523,339	8,620	251,530,899

Prior Period		7 Days	Up to 1			6-12	1 Year and	Accumulating	
December 31, 2018	Demand	Days	Month	1-3 Months	3-6 Months	Months	Over	Deposit	Total
		Notice						Accounts	
Saving deposits	5,744,919	-	6,643,429	35,802,910	4,275,941	831,277	561,358	3,851	53,863,685
Foreign currency deposits	11,560,942	-	4,873,272	33,571,218	3,729,198	1,436,221	6,269,372	-	61,440,223
Residents in Turkey	11,091,890	-	4,805,344	32,952,447	3,224,726	899,552	1,452,912	-	54,426,871
Residents in abroad	469,052	-	67,928	618,771	504,472	536,669	4,816,460	-	7,013,352
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	2,997,167	-	5,256,183	7,547,330	1,042,595	935,437	40,288	-	17,819,000
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	397,207	-	1,136,730	4,874,924	440,591	208,860	6,232	-	7,064,544
Central Bank	1,678	-	-	-	-	-	-	-	1,678
Domestic banks	119,754	-	580,017	389,545	35,145	187,479	6,232	-	1,318,172
Foreign banks	110,811	-	245,174	3,952,058	6,068	21,381	-	-	4,335,492
Participation banks	164,964	-	311,539	533,321	399,378	-	-	-	1,409,202
Other	-	-	-	-	-	-	-	-	-
Total	36,081,766	-	26,380,869	90,884,003	12,853,382	5,917,491	7,286,545	3,851	179,407,907

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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	-	-	-	-
Total	50,232,596	58,756,560	35,033,949	52,788,141

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	1,081,826	2,011,906	414,240
Futures	-	-	-	-
Options	213	2,645	37,282	3,992
Other	-	-	-	-
Total	2,226,099	1,085,850	2,123,319	425,858

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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	326,451	2,757,681	175,965	2,481,603
Foreign banks, institutions and funds	570,839	36,435,419	571,642	37,689,031
Total	897,290	40,181,260	747,607	40,602,229

b) Maturity information of funds borrowed

	Current Period December 31, 2019		Prior Period December 31, 2018	
	TL	FC	TL	FC
Short-term ^(*)	326,451	3,450,038	176,403	4,193,586
Medium and Long-term ^(*)	570,839	36,731,222	571,204	36,408,643
Total	897,290	40,181,260	747,607	40,602,229

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 10.63% (December 31, 2018: 13.65%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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II. INFORMATION AND DISCLOSURES RELATED TO 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

Securitisation Loans Received

Banks	Due date	Currency	Amount (USDMillions)	Loan Type
May 13, 2011	June 15, 2023	USD	346.5	Based on international remittance flows
December 19, 2014	December 15, 2021	USD/EUR	428.6	Based on international remittance flows / Based on treasury financing transactions
	September 15, 2021	USD/EUR	354.4	Based on international remittance flows
October 4, 2016	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 Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity, which will be used for trade finance purposes together with general purpose financial needs.

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III. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

4. Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the 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 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, 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 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 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 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 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 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 issuences reached TL 9.3 billion.

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on securities issued (Continued)

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Current Period - December 31, 2019				
Nominal	6,338,874	5,182,186	-	17,364,600
Cost	6,173,352	5,182,186	-	17,289,083
Net Book Value	6,289,792	5,297,752	-	17,588,825

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Prior Period - December 31, 2018				
Nominal	3,747,743	3,666,000	-	14,780,894
Cost	3,521,928	3,666,000	-	14,701,598
Net Book Value	3,645,695	3,729,376	-	14,971,993

5. Components of “other external resources payable” in the 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 financials do not exceed 10% of total liabilities and equity.

6. Information on lease payables (net)

Obligations under financial leasing

	Current Period - December 31, 2019	
	Gross	Net
Under 1 year	20,101	19,103
1-4 Years	457,151	367,996
Over 4 years	947,841	541,755
Total	1,425,093	928,854

With the “IFRS 16 Leases” standard, effective as of January 1, 2019, the difference between operational lease and financial lease has been eliminated, and leasing transactions have started to be disclosed under the “liabilities from leasing transactions” line. Applications and impacts related to the transition of IFRS 16 are explained in Note XXIV of Section Three.

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

Negative fair values of hedging purpose derivatives

None.

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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 598,412 (December 31, 2018: TL 427,866) provision for severance pay and TL 102,631 (December 31, 2018 TL 144,983) 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
Opening balance	427,866	388,002
Current Service Cost	42,055	36,627
Previous Service Cost	19,090	(7,438)
Interest Cost	64,097	44,225
Paid Compensation	(52,557)	(52,690)
Payment/Reduction of Benefits/Layoff Accordingly		
Composed Gain/Loss	7,472	5,905
Actuary Gain/Loss	90,389	13,235
Closing balance	598,412	427,866

Information on pension rights

As per Article 21 of Insurance Law no. 5684 and the clauses of “Actuaries Regulation” published as per this article, the technical financial statements of the Fund is audited by an actuary registered in the actuary registry. No technical or actual deficits which need the allocation of provisions as per the actuary report dated January 2020 is identified.

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Transferable retirement and health liabilities		
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

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on pension rights (Continued)

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

Discount Rates	Current Period December 31, 2019	Prior Period December 31, 2018
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:

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Bank placements	639,362	2,453,589
Government Bonds and Treasury Bill, Fund and Accrual	3,267,243	659,361
Interest Income		
Tangible assets*	2,219,862	1,723,955
Other	128,589	192,812
Total	6,255,056	5,029,717

(*) As of 31 December 2019, the value of the fixed assets are shown considering the fair value of the properties owned instead of the balance sheet value.

Provision for currency exchange loss on foreign currency indexed loans

None.

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

As of December 31, 2019, Bank has recorded TL 57,760 (December 31, 2018: TL 26,739) as expected credit loss for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of December 31, 2019, TL 178,000 of the total provision amounting to TL 1,030,000 which was previously set aside in accordance with the precautionary principle in the future periods due to adverse developments in economy and markets, will be canceled in the current year as net amount of movements in the current period. As of December 31, 2019, the free reserves amount to TL 852,000 (December 31, 2018: TL 1,030,000).

8. Taxation

Current taxes

Tax provision

As of December 31, 2019, the Bank's corporate tax payable is TL 574,107 (December 31, 2018: TL 287,219).

Information on taxes payable

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Corporate taxes payable	574,107	287,219
Taxation on securities	257,672	237,984
Capital gains tax on property	3,515	3,046
Banking and Insurance Transaction Tax (BITT)	199,659	207,040
Taxes on foreign exchange transactions	4,428	-
Value added tax payable	6,210	4,155
Other	65,971	33,171
Total	1,111,562	772,615

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on premiums payable

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,607	1,084
Unemployment insurance- employer share	3,213	2,165
Other	-	-
Total	4,820	3,249

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

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

None.

10. Information on subordinated loans

The 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 Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%. 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 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 13 February 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%.

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

On September 18, 2017, the 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 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 Bank issued bonds amounting to EUR 700 million with additional 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 interest paid 700 million per year EUR bonds will be included in additional core 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).

Stated bonds’ total balance sheet value is TL 19,245,453 as of December 31, 2019 (December 31, 2018: TL 13,022,023).

	Current Period		Prior Period	
	December 31, 2019		December 31, 2018	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation	5,139,810	4,839,684	5,138,704	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	5,139,810	4,839,684	5,138,704	-
Debt instruments to be included in the additional capital calculation	1,255,067	8,010,892	529,417	7,353,902
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,255,067	8,010,892	529,417	7,353,902
Total	6,394,877	12,850,576	5,668,121	7,353,902

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

11. Information on 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 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 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, 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 and prior period.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period and the general purpose of these commitments and the estimated resources required for these commitments

None.

Prior period indicators of the 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.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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	1,164,678	(144,550)	1,459,312	(3,983)
Financial assets at fair value through other comprehensive income	543,624	242,412	(120,921)	20,624
Foreign exchange differences	80,727	-	80,727	-
Total	1,789,029	97,862	1,419,118	16,641

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

1. Disclosures related to other contingent liabilities

Type and amount of 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	18,076,739	14,103,024
Commitments for cheque payments	3,528,150	1,979,217
Asset purchase sale commitments	7,968,985	3,754,254
Other	1,627,217	1,476,066
Total	48,494,832	34,862,210

Type and amount of possible losses from off-balance sheet items including those referred to below

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

The Bank provided specific provision amounting to TL 689,503 (December 31, 2018: TL 258,210) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 57,760 (December 31, 2018: TL 26,739).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Provisional letters of guarantee	1,366,139	1,913,828
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
Other letters of guarantee	29,698,034	23,129,902
Total	58,924,281	51,950,277

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	60,309,173	55,106,440
Total	77,336,042	65,165,276

3. Sectoral risk concentrations of non-cash loans

	Current Period - December 31, 2019				Prior Period - December 31, 2018			
	TL	%	FC	%	TL	%	FC	%
Agricultural	56,955	0.15	253,240	0.64	32,052	0.09	59,331	0.20
Farming and Cattle	52,735	0.14	231,174	0.58	29,692	0.09	59,331	0.20
Forestry	4,190	0.01	-	-	1,698	-	-	-
Fishing	30	-	22,066	0.06	662	-	-	-
Manufacturing	11,788,946	31.42	20,327,094	51.05	12,489,776	33.78	14,033,362	49.78
Mining	236,923	0.63	165,044	0.41	218,076	0.59	126,887	0.45
Production	7,030,835	18.74	19,172,563	48.15	8,147,262	22.04	13,170,945	46.72
Electric, gas and water	4,521,188	12.05	989,487	2.49	4,124,438	11.15	735,530	2.61
Construction	7,620,745	20.31	5,912,307	14.85	7,726,291	20.90	5,137,296	18.22
Services	17,244,512	45.96	10,489,650	26.35	15,655,239	42.34	7,036,309	24.96
Wholesale and retail trade	6,037,803	16.09	6,341,737	15.93	5,545,235	15.00	4,032,371	14.30
Hotel, food and beverage Services	314,844	0.84	412,217	1.04	336,135	0.91	245,307	0.87
Transportation and telecommunication	2,804,464	7.47	2,178,605	5.47	1,986,293	5.37	1,122,991	3.98
Financial institutions	4,729,573	12.60	173,797	0.44	4,366,401	11.81	94,258	0.33
Real estate and renting Services	1,139,197	3.04	465,306	1.17	1,663,203	4.50	402,537	1.43
Self-employment services	1,962,573	5.23	321,924	0.81	1,455,236	3.94	456,663	1.62
Education services	56,442	0.15	4,464	0.01	51,743	0.14	4,085	0.01
Health and social services	199,616	0.54	591,600	1.48	250,993	0.68	678,097	2.41
Other	810,555	2.16	2,832,038	7.11	1,068,562	2.89	1,927,058	6.84
Total	37,521,713	100.00	39,814,329	100.00	36,971,920	100.00	28,193,356	100.00

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

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

Current Period - December 31, 2019	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	35,943,263	20,621,695	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	-	-	-	-
Other Guarantees and Sureties	-	96,282	-	-
Non-Cash Loans	36,092,935	38,798,124	1,104,761	650,719

Prior Period - December 31, 2018	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	35,786,714	14,724,564	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	-	-	-	-
Other Guarantees and Sureties	-	43,103	-	-
Non-Cash Loans	35,845,539	27,857,397	875,085	329,045

5. Information on derivative transactions

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Trading Derivatives		
Foreign Currency Related		
Derivative Transactions (I)	84,944,567	45,226,545
Currency Forwards	4,537,627	2,744,719
Currency Swaps	79,070,537	39,999,299
Currency Futures	-	-
Currency Options	1,336,403	2,482,527
Interest Rate Derivative	66,326,016	46,832,308
Transactions (II)		
Interest Rate Forwards	-	-
Interest Rate Swaps	66,326,016	46,832,308
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivatives (III)	23,593,260	17,683,118
A. Total Trading Derivatives	174,863,843	109,741,971
(I+II+III)		
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency	-	-
Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	174,863,843	109,741,971

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

Current Period - December 31, 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	14,904,246	6,580,006	3,901,515	133,623	178,650	25,698,040
Sale	16,173,838	6,608,725	3,942,974	105,000	-	26,830,537
Currency forwards:						
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
Cross currency interest rate swaps:						
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
Interest rate swaps:						
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
Options:						
Purchase	429,818	94,300	137,745	-	-	661,863
Sale	440,210	96,002	138,328	-	-	674,540
Trading Securities:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Futures:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Other trading derivatives:						
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
Total purchases	16,752,759	7,618,261	6,901,026	24,983,777	33,008,190	89,264,013
Total sales	16,725,838	7,813,437	6,751,102	22,755,327	31,554,126	85,599,830
Total	33,478,597	15,431,698	13,652,128	47,739,104	64,562,316	174,863,843

Prior Period - December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	9,900,949	634,740	1,784,496	241,548	-	12,561,733
Sale	6,986,962	634,382	1,683,627	202,080	-	9,507,051
Currency forwards:						
Purchase	289,468	299,945	761,559	23,151	-	1,374,123
Sale	288,694	298,892	759,874	23,136	-	1,370,596
Cross currency interest rate swaps:						
Purchase	105,600	-	556,431	8,492,044	502,138	9,656,213
Sale	47,002	-	235,455	7,575,851	415,994	8,274,302
Interest rate swaps:						
Purchase	-	-	50,000	9,243,910	14,122,244	23,416,154
Sale	-	-	50,000	9,243,910	14,122,244	23,416,154
Options:						
Purchase	334,764	50,487	830,025	-	-	1,215,276
Sale	348,761	59,812	858,678	-	-	1,267,251
Trading securities:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Other trading derivatives:						
Purchase	-	422,400	-	6,324,292	1,774,159	8,520,851
Sale	2,975,026	305,901	-	4,428,802	1,452,538	9,162,267
Total purchases	10,630,781	1,407,572	3,982,511	24,324,945	16,398,541	56,744,350
Total sales	10,646,445	1,298,987	3,587,634	21,473,779	15,990,776	52,997,621
Total	21,277,226	2,706,559	7,570,145	45,798,724	32,389,317	109,741,971

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

6. Contingent assets and liabilities

Bank allocates TL 37,141 as provision for lawsuits against the Bank (December 31, 2018: TL 2,760).

7. Services rendered on behalf of third parties

The 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 Bank's custody services and banking transactions on behalf of individuals and corporate customers does not present a material portion.

IV. INFORMATION ON DISCLOSURES RELATED TO THE 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	9,506,304	730,787	8,060,493	380,763
Medium and Long-Term Loans	18,873,591	4,993,189	14,417,812	4,125,857
Non-performing Loans	596,949	-	346,695	-
Premiums Received from Resource Utilization	-	-	-	-
Support Fund	-	-	-	-
Total	28,976,844	5,723,976	22,825,000	4,506,620

Information on interest income received from banks

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	1,297	-	1,004
Domestic Banks	29,809	33,695	10,341	22,870
Foreign Banks	-	122,829	-	142,974
Foreign Head Office and Branches	-	-	-	-
Total	29,809	157,821	10,341	166,848

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	-	6,025	-	-
Financial assets at fair value through other comprehensive income	1,977,945	177,010	975,143	33,387
Financial assets measured at amortized cost	4,170,602	551,886	4,648,680	375,482
Total	6,148,547	734,921	5,623,823	408,869

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

Information on interest income received from associates and subsidiaries

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Interest Received from Associates and Subsidiaries	131,958	34,930

2. Interest expense

Interest expense on funds borrowed

	Current Period - December 31, 2019		Prior Period - December 31, 2018	
	TL	FC	TL	FC
Banks	91,629	1,336,738	71,333	1,068,971
Central Bank of Republic of Turkey	-	1,878	-	1,084
Domestic Banks	30,419	96,649	10,087	25,793
Foreign Banks	61,210	1,238,211	61,246	1,042,094
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	87,432	-	78,259
Total	91,629	1,424,170	71,333	1,147,230

Interest expense paid to associates and subsidiaries

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Interest Paid to Associates and Subsidiaries	299,906	363,511

Interest expense on securities issued

Interest paid to securities issued as at for the period ended December 31, 2019 is TL 4,108,916 (TL 2,495,195 and 1,613,721 FC). (December 31, 2018: TL 2,704,252 (TL 1,467,685 and 1,236,567 FC)).

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

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	1,462,555	1,835,621	251,889	111,609	75,344	-	3,737,043
Other deposits	-	161,836	804,571	541,778	101,210	27,926	-	1,637,321
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	22,926	3,534,352	9,977,409	1,776,764	495,244	392,078	730	16,199,503
<i>FC</i>								
Foreign currency deposits	30,323	177,446	1,176,489	113,496	47,028	163,414	-	1,708,196
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
Total	42,063	225,477	1,305,168	113,557	83,084	163,578	-	1,932,927
Grand Total	64,989	3,759,829	11,282,577	1,890,321	578,328	555,656	730	18,132,430

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	735,482	2,009,037	267,347	85,321	2,642	-	3,099,872
Other deposits	-	82,449	574,635	143,725	41,503	13,069	-	855,381
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	15,617	2,298,884	9,790,921	965,377	748,140	84,278	295	13,903,512
<i>FC</i>								
Foreign currency deposits	26,390	66,250	1,232,305	81,781	37,925	157,700	-	1,602,351
Interbank deposits	8,322	565	118,430	27,172	1,939	-	-	156,428
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	34,712	66,815	1,350,735	108,953	39,864	157,700	-	1,758,779
Grand Total	50,329	2,365,699	11,141,656	1,074,330	788,004	241,978	295	15,662,291

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**V. INFORMATION ON DISCLOSURES RELATED TO THE 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	469	352
Financial assets at fair value through other comprehensive income	-	-
Others	50,470	129,272
Total	50,939	129,624

4. Information on trading income/loss

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Profit	23,671,832	25,801,615
Income from capital market operations	515,307	259,136
Income from derivative financial instruments	15,988,207	11,185,831
Foreign exchange gains	7,168,318	14,356,648
Losses	(26,255,526)	(25,157,980)
Loss from capital market operations	(35,404)	(103,558)
Loss from derivative financial instruments	(19,651,247)	(10,923,754)
Foreign exchange loss	(6,568,875)	(14,130,668)
Net trading profit/loss	(2,583,694)	643,635

Net loss arising from changes in foreign exchange rates that relate to the Bank's foreign exchange rate based derivative financial instruments is amounting to TL 3,444,052 as at and for the year ended December 31, 2019 (December 31, 2018: TL 103,479 net loss).

5. Information on other operating income

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Income from reversal of the specific provisions for loans from prior periods	3,411,404	1,692,746
Communication income	37,251	36,269
Gain on sale of assets	281,380	191,650
Rent income	7,582	1,671
Other income	297,637	81,277
Total	4,035,254	2,003,613

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

6. Expected Credit Loss and Other Provision Expenses

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Expected Credit Loss	8,212,337	4,350,468
12 month expected credit loss (stage 1)	1,287,414	368,768
Significant increase in credit risk (stage 2)	1,713,451	995,287
Non-performing loans (stage 3)	5,211,472	2,986,413
Marketable Securities Impairment Expense	52,362	3,037
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	52,362	3,037
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	-	530,000
Total	8,264,699	4,883,505

(*) Free provision amount as of 2018.

7. Information on other operating expenses

	Current Period - December 31, 2019	Prior Period - December 31, 2018
Reserve for Employee Termination Benefits	69,670	26,628
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	13,006
Depreciation Expenses on Tangible Assets	423,488	155,283
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	32,199	29,377
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	-	10,657
Other Operating Expenses	2,231,004	2,208,487
<i>Leasing expenses related to IFRS 16 exceptions</i>	86,873	294,801
<i>Repair and maintenance expenses</i>	67,575	56,013
<i>Advertisement expenses</i>	178,272	163,194
<i>Other expenses</i>	1,898,284	1,694,479
Loss on sale of assets	3,255	4,543
Other (*)	1,021,746	1,233,574
Total	3,781,362	3,681,555

(*) Other operating expenses amounting to TL 1,021,746 (December 31, 2018: TL 1,233,574) 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 251,001 (December 31, 2018: TL 194,440), "Saving Deposits Insurance Fund" expenses amounting to TL 283,627 (December 31, 2018: TL 197,864) and other operating expenses amounting to TL 234,938 (December 31, 2018: TL 564,774).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

9. Information on tax provision from discontinued and continuing operations

The Bank has no discontinued operations. Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section.

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

The Bank has no discontinued operations. Information on net profit/loss from continuing operations is presented in disclosures 1-12 in this section.

11. Provision for taxes

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

In the current period, the Bank has recorded a tax charge of TL 1,715,496 (December 31, 2018: TL 745,141) from the net taxable profit calculated in accordance the laws and regulations in effect.

Deferred tax benefit of the Bank is detailed in the table below.

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

Sources of deferred tax benefit/charge	Current Period - December 31, 2019	Prior Period - December 31, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	537,330	145,251
Arising from (Origination)/ Reversal of Taxable Temporary Differences	367,874	(399,715)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	905,204	(254,464)

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
Profit before tax	3,612,583	5,153,927
Additions	5,019,960	3,875,092
Reductions	1,113,019	4,028,642
Other	1,690	999,605
Basis	7,517,834	4,000,772
Corporate tax rate	22%	22%
Tax calculated	1,653,924	880,170
Other corrections	(843,632)	119,435
Tax expense	810,292	999,605

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

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

The Bank has earned TL 42,074,839 interest income, TL 3,978,688 net fees and commissions income and incurred TL 29,060,127 interest expenses, from ordinary banking transactions (December 31, 2018: TL 33,953,817 interest income, TL 23,113,130 interest expenses, TL 2,293,210 net fees and commissions income).

Any changes in estimations that might have a material effect on current and subsequent period results

None.

13. Information related to the 20% of the sub-accounts belonging to components of other items in the statement of income exceeding 10% of the group total

Banks' other commissions income mainly consists of credit card fee and commissions, insurance commissions and intelligence commissions.

Banks' other commissions expense mainly consists of credit card fee and commissions and commissions given for foreign banks credits.

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V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

1. Information on increases of 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 fair value through other comprehensive income assets, subsidiaries and affiliates are recorded are as follows:

Valuation Differences of Marketable Securities	Current Period - December 31, 2019	Prior Period - December 31, 2018
Valuation differences at the beginning of the year	(100,297)	(157,573)
Fair value changes in the current year	1,101,826	49,261
Valuation differences transferred to the statement of income	8,020	21,481
Effect of deferred and corporate taxes	(223,513)	(13,466)
Valuation differences at the end of the year	786,036	(100,297)

Valuation Difference of the Subsidiaries and Affiliates	Current Period - December 31, 2019	Prior Period - December 31, 2018
Valuation differences at the beginning of the year	1,536,056	1,230,407
Fair value changes in the current year	(455,135)	326,372
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	19,934	(20,723)
Valuation differences at the end of the year	1,100,855	1,536,056

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 differences in shareholders’ equity accounts due to inflation accounting

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 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 decrease in the current year. Detailed information about the decreases is explained above in Note 1.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. 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 (7,387,437) (December 31, 2018: (3,645,155) TL) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL (3,888,055) (December 31, 2018: 7,502,053 TL) under “changes in operating assets and liabilities” is mainly comprised of cash inflows from miscellaneous payables and rcrepuhase agreements.

“Other” item under “net cash flow from investing activities” amounting to TL (29,644) (December 31, 2018: 16,971 TL) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assests’ 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 196,541 (December 31, 2018: 13,365 TL).

2. Cash outflows 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

	Prior Period December 31, 2018	Prior Period December 31, 2017
Cash on hand	2,339,748	1,979,531
Cash in TL	1,455,914	1,395,342
Cash in foreign currency	883,834	584,189
Cash equivalents	17,132,393	17,315,430
CBRT	29,144,389	26,277,100
Banks	5,018,593	11,887,828
Receivables from money markets	-	-
Other	770,352	388,193
Loans and advances to banks having maturity of more than 3 months	(609,535)	(8,000)
Restricted cash and cash equivalents	(17,182,290)	(21,221,265)
Unrealized foreign exchange rate differences on cash equivalents	(9,116)	(8,426)
Total	19,472,141	19,294,961

(*) As of 31 December 2018, 748,012 TL (31 December 2017: 380,234) and 22,340 TL (31 December 2017: 7,959) out of 770,352 TL (31 December 2017: 388,193) that were classified under “Other” was cash in transit and precious metals, respectively.

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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	Prior Period December 31, 2018
Cash on hand	2,454,174	2,339,748
Cash in TL	1,450,294	1,455,914
Cash in foreign currency	1,003,880	883,834
Cash equivalents	27,311,000	17,132,393
CBRT	33,262,426	29,144,389
Banks	5,861,343	5,018,593
Receivables from money markets	-	-
Other	778,620	770,352
Loans and advances to banks having maturity of more than 3 months	(342,411)	(609,535)
Restricted cash and cash equivalents	(12,245,275)	(17,182,290)
Unrealized foreign exchange rate differences on cash equivalents	(3,703)	(9,116)
Total	29,765,174	19,472,141

^(*) As of 31 December 2019, 629,315 TL (31 December 2018: 748,012) and 149,305 TL (31 December 2018: 22,340) out of 778,620 TL (31 December 2018: 770,352) that were classified under "Other" was 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.

Foreign currency bank deposits amounting to TL 775,262 (December 31, 2018: TL 584,501) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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

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

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

Current Period - December 31, 2019	Associates and Subsidiaries and Joint- Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	519,633	606,551	-	44,668	193,297	91,969
Balance at the end of the year	921,932	868,629	-	-	2,710	56,829
Interest and commission income	131,958	3,168	-	-	49,531	154

Prior Period - December 31, 2019	Associates and Subsidiaries and Joint- Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	144,551	1,441,249	-	38,243	18,110	34,799
Balance at the end of the year	519,633	606,551	-	44,668	193,297	91,969
Interest and commission income	34,930	3,376	-	-	22,076	161

Information on deposits held by the 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	1,847,693	1,692,043	1,079,621	1,100,243	623,318	241,645
Balance at the end of the year	1,443,641	1,847,693	-	1,079,621	89,026	623,318
Interest on deposits	299,906	363,511	181,726	112,544	15,157	23,936

Information on forwards and option agreements and other similar agreements made with the Bank's risk group

Bank's Risk Group	Associates, 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
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	34,629	441,145	-	-	-	-
Balance at the End of the Period	-	34,629	-	-	-	-
Total profit/loss	-	(3,255)	-	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total income/loss	-	-	-	-	-	-

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

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

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

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

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

Pricing policy and other conditions of transactions with the risk group of the Bank are determined and applied on arm's length basis. The ratio of cash and non-cash loans given to the Bank's risk group to total cash and non-cash loans are 0.32 (December 31, 2018: 0.32) and 1.20 (December 31, 2018: 1.14), respectively.

Current Period - December 31, 2019	Amount	Compared with the Financial Statement Amount %
Cash Loans	924,642	0.32
Non-Cash Loans	925,458	1.20
Deposits	1,532,667	0.61
Forward and Option Agreements	-	0.00

Prior Period - December 31, 2018	Amount	Compared with the Financial Statement Amount %
Cash Loans	712,930	0.32
Non-Cash Loans	743,188	1.14
Deposits	3,550,632	1.98
Forward and Option Agreements	34,629	0.03

Information on Benefits Provided to Directors

In the accounting period ending on December 31, 2019, a total amount of TL 28,186 was paid to the Bank's top management. (31 December 2018: 18,998 TL).

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees		Total Assets	Capital
Domestic Branches ^(*)	940	16,790			
Foreign Representative Offices	-	-			
			Country		
Foreign Branches	1	26	U. S	5,118,582	98,258
			Iraq	639,915	297,750
Off-shore Branches	1	5	Bahrain	27,561,625	-

^(*) Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2019, 2 new domestic branches (2018: 38 domestic branches) have been opened and 10 branches have been closed (2018: 14).

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SECTION SIX

OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK'S ACTIVITY

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

Profit Distribution Table of Year 2019	
Bank's unconsolidated profit in its statutory financial statements	4,154,322
Deferred tax credits	-
Net profit of the year subject to distribution	4,154,322
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
Net profit of the year subject to distribution	3,738,890
Gain on sale of immovable and shares of associates and subsidiaries	11,179
Extraordinary reserves	3,727,711
Dividends to shareholders	-

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

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

December 2019	Moody's Investors' Service
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B3/NP
Foreign Currency Outlook	Negative

December 2019	Standard&Poors
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negatif
Turkey National Scale	trA+/-/trA-1

March 2019	JCR Eurasia
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independancy from Shareholders	A

(*) Dates represent last report dates.

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OTHER DISCLOSURES (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 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 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 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%.

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

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.

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 3rd, 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.

**IV. SIGNIFICANT FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS THAT ARE
SUBSEQUENT TO REPORTING DATE**

None.

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**SECTION SEVEN
INDEPENDENT AUDITORS’ AUDIT REPORT**

I. INFORMATION ON INDEPENDENT AUDITORS’ REPORT

The Bank’s unconsolidated financial statements and footnotes as at and for year ended December 31, 2019 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 14, 2020 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank’s financial position and results of its operations.

I. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.