
Yanında Ben Varım
VakıfBank
Annual Report 2018

TL 287 billion

VakıfBank continued to support Turkey's economy in 2018 with TL 287 billion in cash and non-cash loans.

USD 2.1 billion

VakıfBank rolled over its total syndicated loan by 110% in 2018, amounting to USD 2.1 billion.

USD 650 million

As part of its GMTN Program, VakıfBank issued bonds worth USD 650 million with a five-year maturity on January 30, 2018.

USD 1.2 billion

With the participation of 35 banks, VakıfBank completed the largest syndicated loan deal in the Bank's history.

9 International Cups in Total

VakıfBank Women's Volleyball team won the European Champions League for the fourth time and the World Championship for the third time in its history – with undefeated records. As a result, VakıfBank Women's Volleyball team clinched its position as "Turkey's most successful sports team in the international arena."

3.4 million Customers

The number of customers using the mobile banking channel exceeded 3.4 million.

COMMERCIAL BANKING

Continuing to deliver the best and most beneficial solutions to its commercial customers, VakıfBank's commercial cash loan portfolio grew 26% while non-cash loans increased 41% in 2018.

26%

Commercial Cash Loans Growth Rate

15

Million Number of Retail Customers

RETAIL BANKING

VakıfBank serves about 15 million customers with tailor-made solutions to meet customer demands.

DIGITAL BANKING

VakıfBank is adapting rapidly to the digital world: 93% of the Bank's transactions are realized on non-branch channels.

93%

Percentage of Transactions on Non-Branch Channels

53%

Increase in the number of Mobile Customers

MOBILE BANKING

Thanks to its upgraded mobile application, VakıfBank expanded its mobile customer base by 53%.

PAYMENT SYSTEMS

VakıfBank's credit card turnover was up by 27% in 2018.

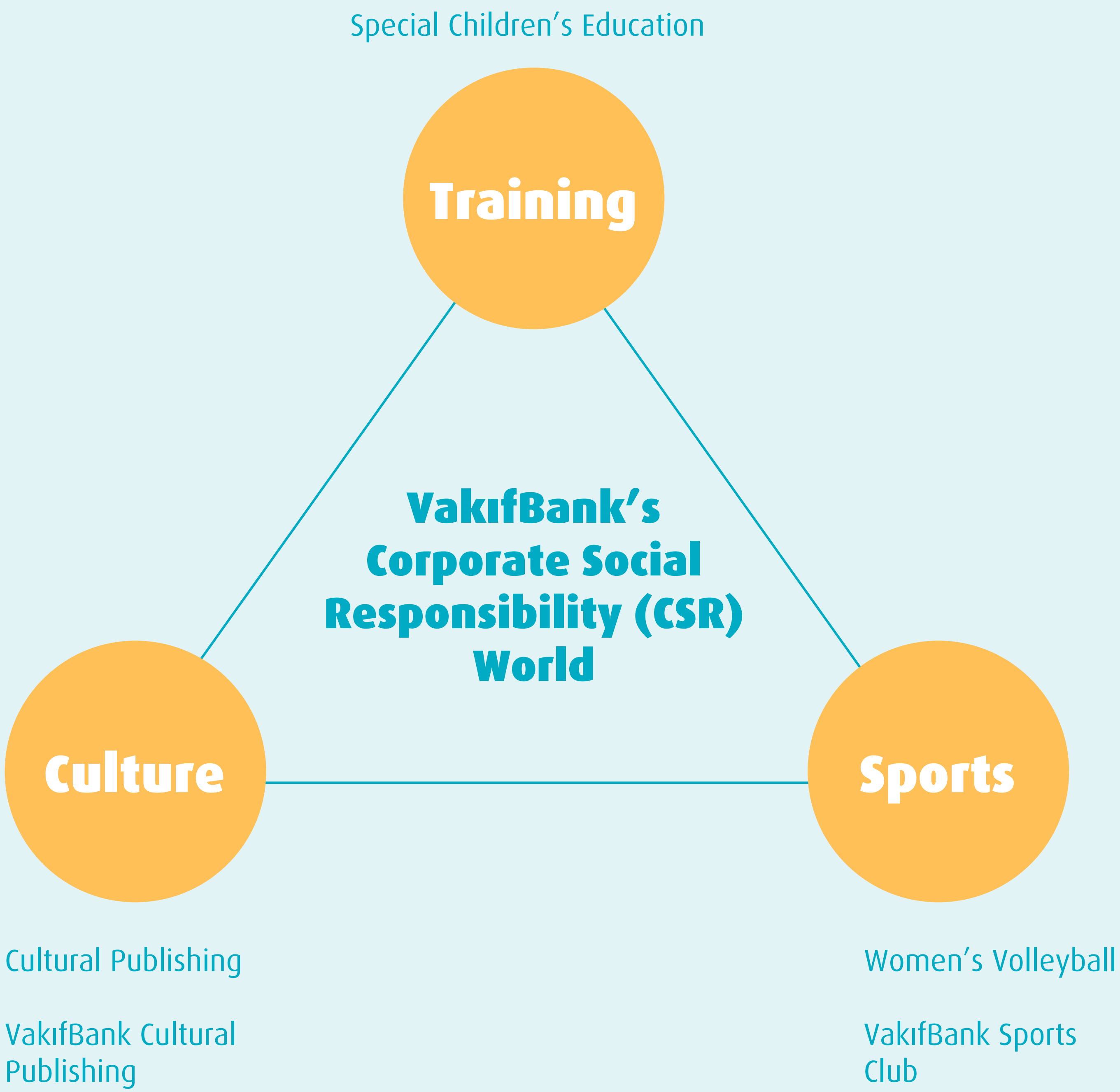
27%

Credit Card Turnover Growth

Section I: Introduction

Section II: Management and Corporate Governance Principles

Part III: Financial Highlights and Assessment of Risk Management


Special Children's Education
Training
VakıfBank's Corporate Social Responsibility (CSR) World
Culture
Sports
Cultural Publishing
VakıfBank Cultural Publishing
Women's Volleyball
VakıfBank Sports Club

We are a long-standing company that aims to make a difference for our society, not only with banking activities but also with our social responsibility projects.

We are doing our best to add value to the society in education, culture and the arts which we prioritize based on the slogan “I am on Your Side.”

Naturally, children, the future of Turkey, hold a very special place in our social responsibility initiatives…

As VakıfBank, we know that the dreams of a single child can change the future of society or even the world. That’s why we are committed to be the strength on the side of our children as a force of good. Under our various social responsibility efforts centered on the slogan “I am on Your Side,” we develop projects that support our children’s dreams and help them look to the future with much more hope.

"I am on Your Side," so that **Ömer** may discover future technologies today and help move our country forward into the future.

Yanında Ben Varım

VakıfBank provides voluntary support to 19 Mechatronics and Mind Games Workshops organized across Turkey by BİLSEM (Science and Art Centers) for the education of children with special skills.

Ömer Altun (10)
BİLSEM Mechatronics Workshop

AGENDA OF THE 65th ORDINARY GENERAL ASSEMBLY MEETING

THE AGENDA OF THE 65th ORDINARY GENERAL ASSEMBLY MEETING OF TÜRKİYE VAKIFLAR BANKASI T.A.O PLANNED TO BE HELD IN 2019

1. Opening and the formation of the Presidency Council,
2. Reading and discussion of the 2018 Board of Directors' Annual Activity Report and Audit Board Report,
3. Reading of Auditor's Reports,
4. Reading, discussion and approval of 2018 financial statements,
5. Discharge of the Board Members regarding the 2018 activities,
6. Submitting the amendments to the Articles of Incorporation to the Board of Directors,
7. Submitting the Board of Directors' proposal on 2018 profit distribution and means of use to the approval of the General Assembly,
8. The renewal of the elections for the Members of the Board,
9. The renewal of the elections for the Audit Board,
10. Determination of financial benefits for the Board Members and Audit Board Members,
11. Authorizing the Board Members for matters under the Articles 396 and 396 of the Turkish Commercial Code,
12. Election of the Auditor,
13. Informing shareholders about the donations made during the year,
14. Wishes and closing remark.

The 65th Ordinary General Assembly Meeting scheduled for 2019 will be announced in all channels within the legal deadline once the agenda and date are finalized.

DIVIDEND POLICY

Türkiye Vakıflar Bankası T.A.O. Profit Distribution Policy

Issues about VakıfBank's profit distribution are regulated in Article 9 of VakıfBank's Law No.6219 and Article 35 of Incorporation. According to this, from the annual profit of the Bank, the following amounts shall be distributed to:

a) 5% to the ordinary reserve up to the amount of paid-in capital,

b) 5% to the first extraordinary reserve,

c) 9% to the employees as dividend premium to be distributed within the principles determined by the Board of Directors as limited to three months gross salary of the employee,

d) To the second extraordinary reserve from remaining balance in the amount that will be determined by the General Assembly in case of a necessity for the Bank to continuously improve and to provide its steady profit distribution or reinstate the assets according to Article 523/2 of the Turkish Commercial Code.

The remaining ordinary reserve is allocated for the possible losses that will occur in the future and first extraordinary reserve is allocated to retrieve the extraordinary losses of the Bank.

The General Assembly can decide to use the second extraordinary reserve for reinstating the assets or continuous improvement of the Bank and providing its steady profit distribution. Meanwhile, it can be also decided to use the excess capital from the capital increase partially or totally in this sense.

According to the profit distribution policy, a balanced policy is pursued between the benefits of the shareholders and partnership.

VakıfBank determines its profit distribution policy by considering the compliance of the Banking Regulation and Supervision Agency and meeting the targeted standard ratios stated in the Protective Provisions of Banking Law No. 5411 with prospective growth strategy, financial needs, general economic conditions and capital adequacy ratio.

Each year, the Board of Directors submits its profit distribution proposal to the General Assembly. The profit distribution proposal of the Board of Directors is discussed and decided in the General Assembly and announced to the public through Public Disclosure Platform at the same day.

Profit is distributed in line with the date and way determined by the General Assembly within the scope of relevant legislation.

COMPLIANCE OPINION ON THE ANNUAL REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

1. Qualified Opinion
We have audited the annual report of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and consolidated subsidiaries of it for the accounting period of 1 January 2018 - 31 December 2018.

In our opinion, except for the effect of the matter described in the basis for the qualified opinion paragraph below, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated and unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Qualified Opinion
As expressed in Basis for Qualified Opinion section of our auditor's reports dated 13 February 2019 and 26 February 2019 on the full set unconsolidated and consolidated financial statements for the 1 January 2018 - 31 December 2018 period; audited unconsolidated and consolidated financial statements of the Bank as at 31 December 2018 include a free provision amounting to TL 1,030,000 thousand, of which TL 530,000 thousand was recognized as expense in the current period and TL 500,000 thousand had been recognized as expense in prior periods, which is provided by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation.

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report 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 opinion.

3. Our Audit Opinion on the Full Set Consolidated and Unconsolidated Financial Statements
We expressed a qualified opinion in the auditor's reports dated 13 February 2019 and 26 February 2019 respectively, on the full set unconsolidated and consolidated financial statements for the 1 January 2018 - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report
The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102, Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report, financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:
- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report
Our aim is to express an opinion and issue a report comprising our opinion within the framework of the TCC, Communique and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated and unconsolidated financial statements and with the information obtained in the course of audit.

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

Zeynep Uras, SMMM
Partner

Istanbul, 5 March 2019

DECLARATION OF RESPONSIBILITY

We have examined the Bank's "2018 Annual Report" and we acknowledge and state that:

Based on the information we possess pursuant to our duties and responsibilities within the Bank, the report does not contain any misstatements in material aspects or omissions that may be construed as misleading;

As of the period the report is prepared for, financial statements and other information on financial matters contained in the report honestly and realistically reflect the financial position of the Bank as well as all major risks and uncertainties it is exposed to;

Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) have been examined, and they reflect the truth accurately.

Assoc. Prof. Şahap KAVCIOĞLU
Deputy Chairman of the Board and Member of the Audit Committee

Serdar TUNÇBİLEK
Board Member and Member of the Audit Committee

Mehmet Emin ÖZCAN
General Manager

Şuayyip İLBİLGİ
Executive Vice President

Metin ALIMLI
Manager of Strategy and Planning Department

VAKIFBANK IN BRIEF

VakıfBank is on your side
with over 16 thousand employees for 64 years...

Since its founding on April 13, 1954, VakıfBank has made major contributions to the growth and development of the national economy.

Date of Incorporation: April 13, 1954

Head Office: Istanbul

Paid-in Capital: TL 2,500,000,000

Number of Employees: 16,767

Number of Domestic Branches: 948

Number of Foreign Branches: 3

Number of Subsidiaries and Affiliates: 23

Independent Audit Company: PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Address: Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 7/A-B Ümraniye/Istanbul

Telephone: +90 (216) 724 10 00

Fax: +90 (216) 724 39 09

Web Site: http://www.vakifbank.com.tr

E-mail: vakifbank@hs01.kep.tr

VAKIFBANK'S CORNERSTONES

VakıfBank's Mission

Continuously increasing the value created for customers, employees, shareholders and society by managing its assets and the values entrusted with effectively and efficiently on the strength of its foundation ("Vakıf" in Turkish) culture.

VakıfBank's Vision

Being the best, most preferred, and highest value-creating bank in the region.

VakıfBank's Core Values

- Reliability
- Social responsibility
- Result orientation
- Customer focus
- Innovative approach
- Teamwork
- Loyalty
- Leadership

HISTORY AND OWNERSHIP STRUCTURE

VakıfBank is on your side with its long-standing tradition and banking know-how...

VakıfBank remained the most active Turkish bank in the international markets with the long-term and cost-effective loans it has secured from diverse sources.

In addition to providing core banking products and services, VakıfBank also conducts investment banking and capital markets operations. VakıfBank provides its customers with the widest possible range of financial products via advanced technologies.

Historical Development of the Bank

VakıfBank was established under a private legal jurisdiction, Law numbered 6219 dated January 11, 1954 to utilize foundations' revenues in the most efficient manner, contribute to Turkey's savings rate with a modern banking approach and channel the deposits collected toward the country's economic development. VakıfBank commenced operations on April 13, 1954 with initial capital of TL 50 million. Since its founding, the Bank has been subject to special legal provisions and has contributed significantly to the growth and development of Turkey's economy.

Long-Standing Tradition and Banking Know-How

Representing a well-established tradition with long-standing experience and know-how in the Turkish banking system, VakıfBank has succeeded in becoming one of the most profitable banks in the sector. It has also helped the Turkish economy to grow, develop and integrate with the global economy while it has achieved rapid and healthy growth, quickly caught up with large-scale banks, and strengthened its position in the industry.

Today, the modern banking products and services offered by VakıfBank cover corporate, commercial and SME banking, as well as retail and private banking business lines.

In addition to providing core banking products and services, VakıfBank also conducts investment banking and capital markets operations. The Bank also delivers a wide range of financial services including insurance, financial leasing and factoring through its financial subsidiaries via advanced technologies.

Turkey's Pioneer Bank

Always a pioneer in international banking, VakıfBank remained the most active domestic bank in the international markets in 2018 by continuing its TL-denominated covered bond issues. During the year, the Bank also conducted the largest Eurobond issue of its history under its Global Medium-Term Note Programme, as well as syndicated loans, securitization loans and long-term and cost-effective issuances from diverse funding sources. As a result, the Bank remained the most active Turkish bank in the international markets. In 2017, VakıfBank secured USD 5.7 billion in foreign funds; in 2018, the Bank increased this figure to USD 5.8 billion despite challenging market conditions stemming from rising concerns about emerging markets. During the year, VakıfBank recorded total foreign financing of USD 12.5 billion, accounting for 20.1% of total liabilities.

Accelerating its operations with the vision of "Being the Leading Bank of Strong Turkey," VakıfBank continued to ease the interest rate pressure in the TL deposit market by securing long-term and cost-effective new non-deposit TL funding sources in 2018. To be included in calculation of additional core capital, The Bank materialized an Additional Tier-1 issuance worth TL 5 billion perpetual bond (with recall option at the end of the fifth year) in September 2018. VakıfBank also TL 2 billion in two separate issues of five-year bonds under its Covered Bond Programme.

Türkiye Vakıflar Bankası T.A.O. Ownership Structure
The Ownership Structure of the Parent Bank is as follows as of December 31, 2018:

Shareholders	Number of Shares (Hundred per Share)	Capital (TL Thousand)	Share Capital (%)
Registered Foundations Represented by the General Directorate of Foundations (Group A)	1,075,058,640	1,075,058	43.00
VakıfBank Pension Fund (Group C)	402,552,666	402,553	16.10
Registered Foundations Represented by the General Directorate of 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
Individuals and Legal Entities (Group C)	1,527,393	1,528	0.06
Free Float (Group D)	630,514,354	630,514	25.22
Total	**2,500,000,000**	**2,500,000**	**100.00**

Information on the Bank's Qualified Shareholders

Name Surname/Title	Share Amount (Nominal)	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Registered Foundations Represented by the General Directorate of Foundations (Group A)	1,075,058	43.00	1,075,058	-
VakıfBank Pension Fund (Group C)	402,553	16.10	402,553	-
Registered Foundations Represented by the General Directorate of Foundations (Group B)	386,225	15.45	386,225	-

Shares Owned by the Chairman, Board Members, General Manager and Executive Vice Presidents
None.

Disclosures Made to Borsa Istanbul within the Context of Informing Shareholders
Pursuant to the CMB Communiqué on Material Events Disclosure (II-15.1), the Bank recorded 364 material event disclosures in 2018 on issues affecting the Bank and its operations. These disclosures were concurrently published on the Public Disclosure Platform (www.kap.gov.tr) and on the Bank's website (www.vakifbank.com.tr).

AMENDMENTS TO THE ARTICLES OF INCORPORATION

Upon the resolution reached in the 64th Ordinary General Assembly of the Parent Bank held on August 13, 2018, amendments were made to the Articles of Incorporation, registered on 17.08.2018, and published in the Turkish Trade Registry Gazette dated 31.08.2018. You may access the Bank's Articles of Incorporation at https://www.vakifbank.com.tr/vakifbank-ana-sozlesme.aspx?pageID=322.

"I am on Your Side"
so that **Defne, Şilay and Mehtap** may discover the strength in unity and win many championships with their teammates.

Yanında Ben Varım

VakıfBank proudly supports youth setup in sports and women's volleyball in Turkey.

Defne Devrim (13)
Şilay Hatabay (13)
Mehtap Yıssıf (13)
VakıfBank Sports Club Youth Setup

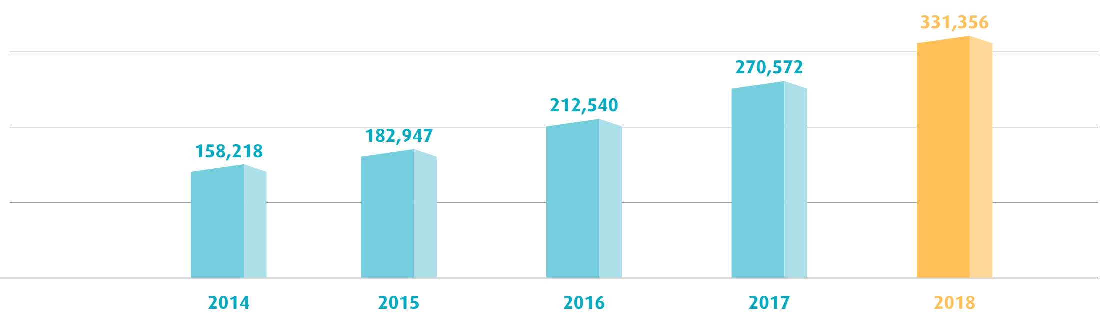
KEY FINANCIAL INDICATORS

VakıfBank is on your side

with total assets of TL 331 billion.

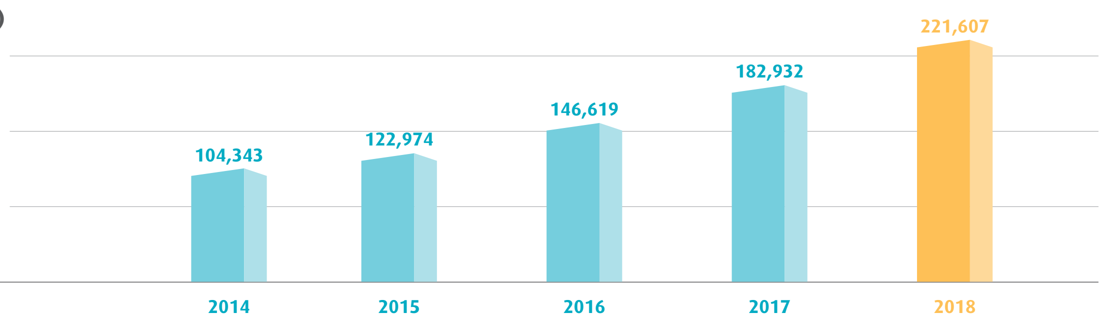
Total Assets (TL Million)

22.46%
Growth



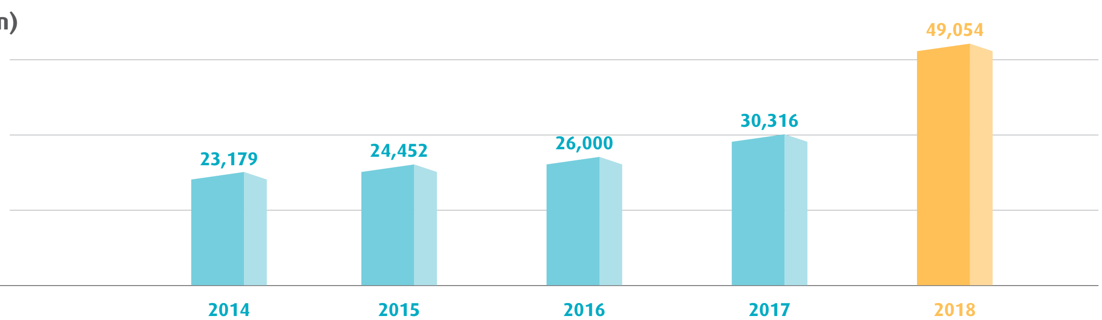
Performing Loans (TL Million)

21.14%
Growth



Securities Portfolio (TL Million)

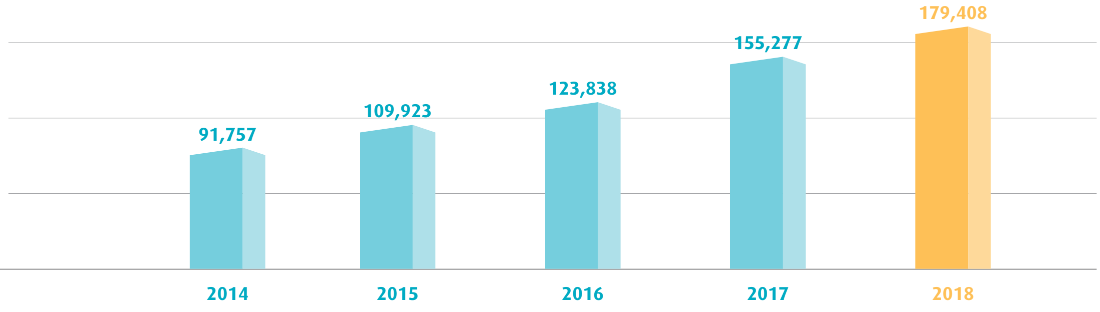
61.81%
Growth



VakıfBank is on your side
having increased its shareholders' equity by 22%.

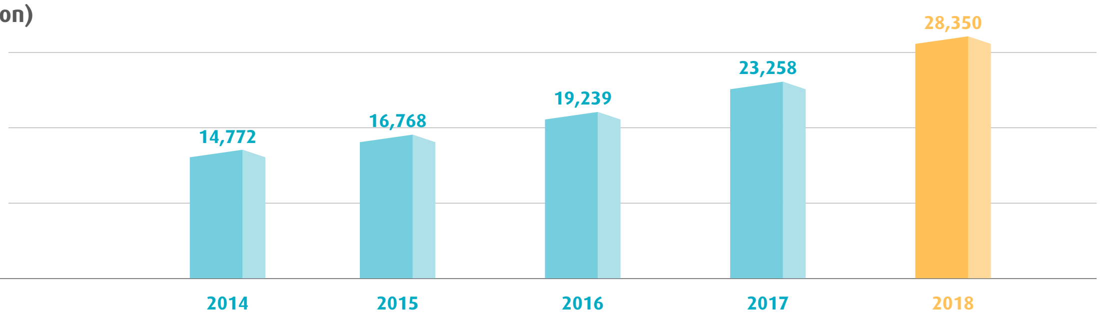
Deposits (TL Million)

15.54%
Growth



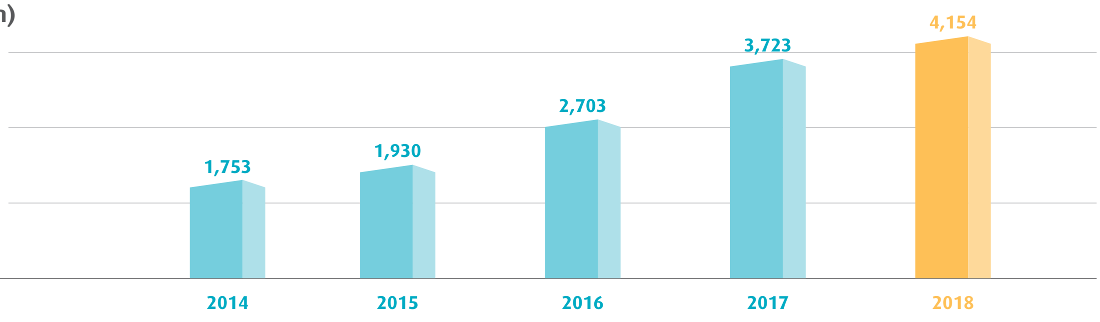
Shareholders' Equity (TL Million)

21.90%
Growth



Net Profit and Loss (TL Million)

11.57%
Growth

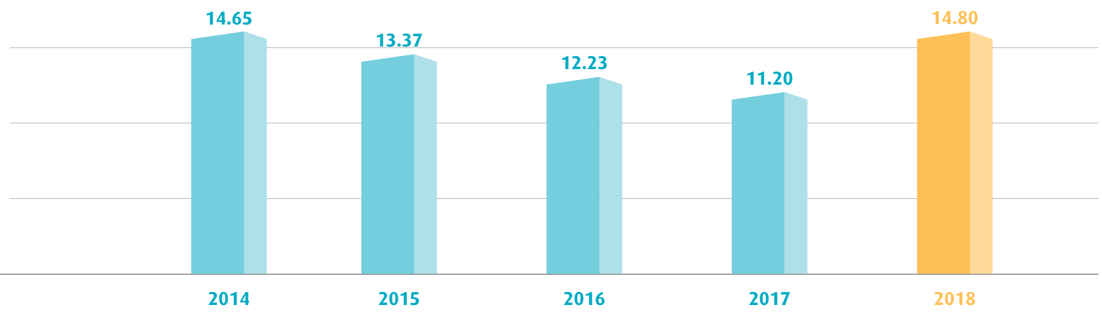


KEY RATIOS

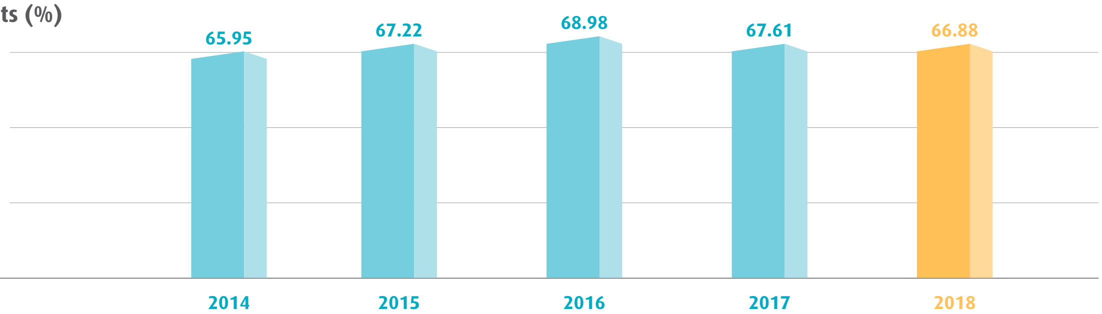
VakıfBank is on your side

as a major supporter of the national economy.

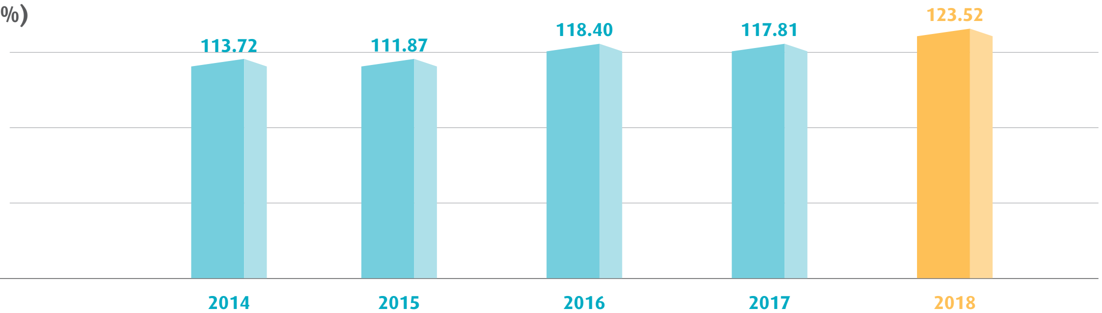
Securities/Total Assets (%)



Performing Loans/Total Assets (%)



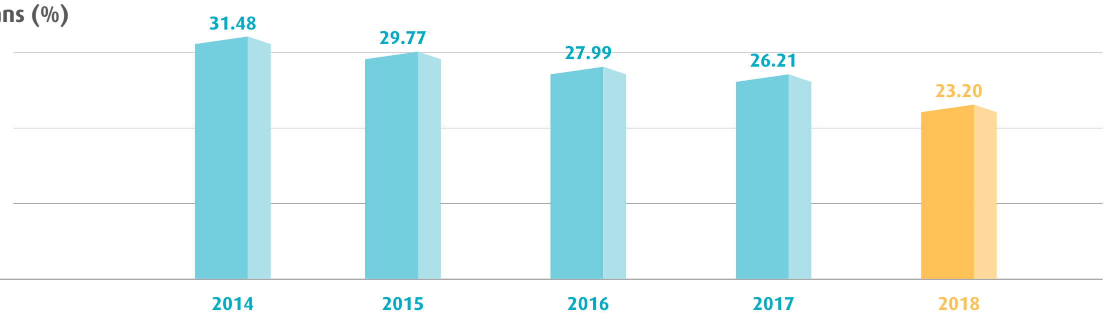
Performing Loans/Deposits (%)



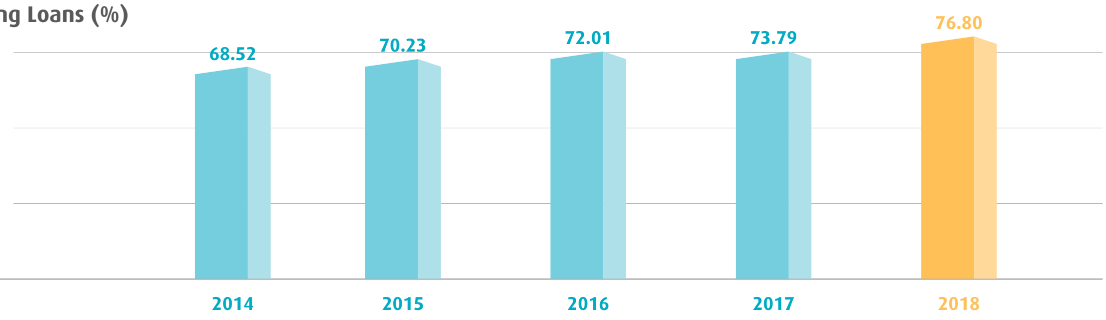
VakıfBank is on your side

as a major supporter of the real economy and households...

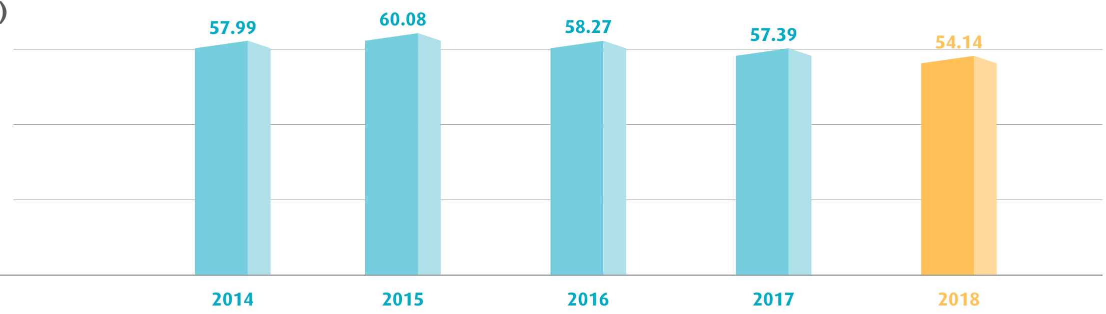
Retail Loans/Performing Loans (%)



Commercial Loans/Performing Loans (%)



Deposits/Total Liabilities (%)



"I am on Your Side" so that **Yağrup and Meys** may never let each other go, and may the worry on their faces give way to a warm, lasting smile.

Yanında Ben Varım

With the children's space it built within the Martyrs' Families Life and Education Complex in Hatay created for refugee youth that lost their fathers at war and fled the Syrian civil war with their mothers, VakıfBank helps them return to a normal social life.

Yağrup Nakar (4)
Meys Aldalı (6)
Fiksad, Hamza Hürol
Martyrs' Families
Life and Education
Complex

MESSAGE FROM THE DEPUTY CHAIRMAN

VakıfBank is on your side
with all the pride of a state-owned bank.

Turkey had a successful year despite the difficulties in global markets.

16%

Total Deposit Growth

Esteemed Shareholders,

2018 was marked by major developments, such as a positive outlook for economic growth in developed countries, a normalization tendency in developed economies' monetary policies, protective policies in international trade, downside risks related to global growth, and volatility in the risk appetite for emerging market assets. In 2018, the US economy's outlook was bright, buoyed by expansionary fiscal policies and expanding 3.4% in the third quarter. The greatest contribution to GDP growth came from consumption expenditure, while net exports contributed its lowest level in 34 years. In 2018, the Federal Reserve continued to uplift its policy rate due to ongoing improvement in economic indicators. However, the Fed is unlikely to continue increasing interest rates in 2019.

In Europe, uncertainties surrounding Brexit, political instability in some EU member countries, and slowing economic growth are the main risk factors weighing down the region. Leading indicators in the Eurozone pointed to a slowdown in economic activity, with the Europe's economy expanding just 1.2% year-on-year in 2018. The European Central Bank (ECB) did not change its policy rate at the December meeting. The ECB completed its Quantitative Easing at year-end 2018 and continued to pursue normalization of its monetary policy.

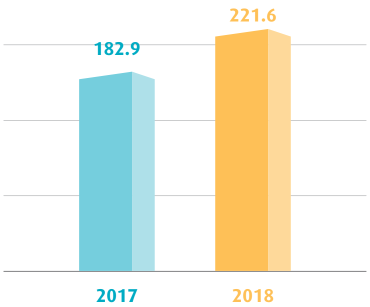
Trade wars with the USA and decelerating global growth had an adverse impact on China's economy in 2018. China's economic activity lost momentum, with the country registering its weakest growth performance in 28 years with its 6.6% growth which was lower than expected in the third quarter of the year. The Chinese Central Bank and China's government have taken various measures – such as lowering required reserve ratios, increasing capital controls and boosting USD reserves – to counteract the adverse impact that the trade wars with the US have had on the country's economy.

Turkey's economy recorded growth of 7.2% in first quarter and 5.3% in second quarter, due to an expected slowdown in economic activity. In August, the Turkish economy expanded 1.6% on an annualized basis despite exposing speculative attacks in the foreign currency markets.

With the presidential elections held on June 24, political stability was confirmed in our country. Establishment of the Presidential Government System concentrated economic administration in a single office. As a result, quick and decisive action was taken and implemented against speculation-driven attacks that occurred during the third quarter. On September 20, the New Economy Program was announced by the government's economy administration. The program is based on economic stabilization, accompanied by fiscal discipline and a transformation focused on added value production and exports, for the period 2018-2020. Structural reforms are envisaged to ensure Turkey's healthy, sustainable and well-balanced growth.

In 2018, VakıfBank provided significant support to the real sector just like the past 65 years.

Total Cash Loans (TL Billion)



Inflation spiked to 25.24% in October due to the surge in the foreign exchange rate, before falling back to 20.30% in December thanks to tight monetary and fiscal policies and the recently launched Total Anti-Inflation Program. A gradual decline in inflation is expected under the New Economy Program.

To halt the rapid rise in the exchange rate and ensure price stability, the Central Bank of the Republic of Turkey took a series of measures during the year, including lowering reserve requirements and modifying the management of TL and foreign currency liquidity. With high market volatility and a deterioration in the inflation outlook in September, a strong contractionary stance was adopted to support price stability. On September 13, 2018, the CBRT hiked the policy rate by 625 basis points to 24%. In addition, the CBRT emphasized that it would maintain a tight monetary policy until a lasting decline in inflation was achieved in the following period.

Throughout 2018, the Turkish banking sector maintained its solid structure and expanded its total assets by 19% to TL 3,867 billion. Loan growth slowed slightly during the year due to the economic stabilization process. As of December 2018, the sector reported cash loan growth of 14%. As for deposits, the most important funding source of Turkey's banking sector, changes were made in August 2018 to the income TDS rates applicable to interest that accrues to deposit accounts opened or renewed. These modifications to existing regulations were made to encourage savings in Turkish liras and extend deposit maturity terms. Banking sector deposits increased 19% in December 2018 compared to the end of 2017, climbing to TL 2,036 billion.

In 2018, VakıfBank provided significant support to the real sector, as it has for the past 65 years. Increasing its total assets to TL 331.4 billion during the year, the Bank provided TL 286.8 billion in support to the national economy in the form of cash and non-cash loans. While raising its total deposits by 16% to TL 179.4 billion, our Bank also continued to secure cost-effective and long-term funding sources from abroad, despite the increasingly challenging conditions, especially in emerging markets. We are committed to doing our part to ensure the balanced and sustainable growth of Turkey's economy in the coming year – with all our might. On behalf of our Bank, I would like to extend my gratitude to our esteemed customers and dedicated employees for playing a key role in our achievements and being on our side during such a challenging period, and to our shareholders and investors for their unwavering trust in us.

Yours sincerely,

Assoc. Prof. Dr. Şahap Kavcıoğlu
Deputy Chairman

MESSAGE FROM THE GENERAL MANAGER

VakıfBank is on your side

with the vision of being the Leading Bank of Strong Turkey.

During this challenging year, the Turkish banking sector remained the driving force of the national economy.

22%

Growth Rate in Total Assets

Esteemed shareholders,

We left behind a challenging year and high volatility with regard to both Turkey and developing countries. The most important agenda item for financial markets in developed economies was rising protectionist tendencies in international trade. Mutual tariff hikes in foreign trade aggravated concerns about global trade and global economic growth.

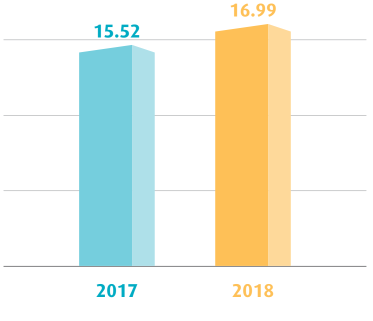
On the other hand, the US economy expanded 3.4% in the third quarter fueled by expansive fiscal policies. In light of positive macroeconomic results, the Fed raised interest rates four times in 2018 and continued to normalize its monetary policy. Similarly, European Central Bank (ECB), which also has been normalizing its monetary policy, end Quantitative Easing in December 2018. However, uncertainties related to the Brexit process and political turmoil in certain EU countries have stoked concerns about the Euro zone economy. China's economy was similarly adversely affected by the foreign trade spat with the USA and the global slowdown. In the third quarter of the year, economic growth of China came at 6.6.% -the slowest pace in 28 years.

In 2018, Turkey's economy, despite being subjected to all manner of adversity and speculation-based attacks, maintained its strong foundation thanks to 16 years of uninterrupted political stability. During the first three quarters of the year, the Turkish economy recorded growth rate, respectively, 7.2%, 5.3% and 1.6%. One of the most important events of 2018 was the joint presidential and parliamentary elections held on June 24. As a result of the elections, which were marked by high voter participation and political maturity, Turkey transitioned to the presidential government system. The economic fluctuations of the second half of 2018 were rapidly taken under control thanks to the effective coordination offered by this new system.

Under the coordination of the Ministry of Treasury and Finance, all relevant agencies, primarily CBRT and the BRSA, adopted the necessary stabilization measures immediately. In September, our Minister of Treasury and Finance, Mr. Berat Albayrak announced the New Economy Program, which focused on economic stabilization, fiscal discipline, value added production and exports. Immediately afterwards, the total anti-inflation program was implemented. As a result of these various measures, economic stability was restored as expected in the New Economy Program. The US Dollar exchange rate fell back to as low as TL 5.20, and volatility subsided. The CPI index, after peaking at 25.24% in October declined to 20.30% as of year-end 2018.

In 2018, we secured financing from abroad, confirming the international financial community's confidence in Turkey and Our Bank.

Capital Adequacy Ratio (%)



During these turbulent times, the Turkish banking sector remained the driving engine of the national economy. Total assets of the industry climbed to TL 3,867 billion in 2018. The sector provided financing to the real sector and households amounting to TL 3,175 billion in the form of cash and non-cash loans. Despite foreign exchange rate volatility, Turkey's banking sector maintained its strength thanks to its solid capital structure and healthy balance sheet. The sector-wide capital adequacy ratio was up from 16.85% in 2017 to 17.27% as of year-end 2018.

VakıfBank achieved its performance targets set out under the Bank's strategy of Profitable, Efficient and High Quality Growth in 2018. During this reporting period, we continued to be the strength on the side of every customer segment – from individual households to the real sector. While the banking sector recorded 18.7% growth in total assets for the year, VakıfBank posted 22.46% growth in total assets to TL 331,356 million, well above the sector average. We formulated the most suitable solutions to meet customers' financial needs. Even as cash loans sector-wide increased 14.13%, we boosted our cash loans by 21.14% to TL 221,607 million. In line with our vision of being the Leading Bank of Strong Turkey, we once again ranked among the banks providing the most support to the Turkish economy.

While the banking sector expanded its commercial loan portfolio by 18.10% year-on-year as of December 2018, VakıfBank boosted its commercial lending by 26.09% to TL 170,195 million, significantly outperforming the sector. We opened 35 new commercial branches in order to meet the financial needs of our commercial customers more quickly and efficiently. During the year, we did not simply meet the financial needs of our commercial customer base: We also expanded our service and product range. VakıfBank was the first bank to achieve integration with the Electronic Letter of Guarantee project, whose systems infrastructure was designed by the Credit Registry Office, allowing online transmission of letters of guarantee. VakıfBank continued to support SMEs at full throttle, even in this volatile period. We extended cost-effective loans to SMEs from funds we had obtained from European Investment Bank, European Bank for Reconstruction and Development, World Bank and French Development Agency. We boosted SME loans by 22.91% year-on-year to TL 59.412 million as of the end of 2018. The amount of CGF-backed loans extended by the Bank surged to more than TL 26 billion. As a result, VakıfBank became one of the banks issuing the most CGF-backed loans in the industry.

In addition, we increased individual loans by 7.21% year-over-year, continuing our support to Turkey's households. We added new products to our wide range of services that offer particular solutions to meet customer expectations and needs. During the year, we introduced the "My Rent is Safe" offering, a first in Turkey, which guarantees rent payments for homeowners and gives tenants peace of mind in their payments. We also

MESSAGE FROM THE GENERAL MANAGER

Financial performance
enhanced with successful deals...

We increased our savings deposits by 34.44% to TL 87,822 million.

launched our term deposit product – the "Bee Account" – for the Bank's customers. Since its introduction, the Bee Account product has boosted new customer acquisitions and time deposits. Furthermore, we diversified our product sets in digital channels by adapting to the latest technologies.

Deposits remained the main funding source of the Bank in 2018. We increased our total deposits by 15.54% to TL 179.408 million. In line with our strategy of expanding across a wider base, we boosted our savings deposits by 34.44% to TL 87,822 million. While growing our deposits, we also continued to obtain funding from abroad to extend the maturity term of our funds and diversify our funding sources. In January 2018, we completed our biggest Eurobond issue ever: USD 650 million. In April, we signed the largest syndicated loan agreement in the Bank's history. With the renewal of the syndicated loan in November, we raised our total syndicated loan balance to USD 2.1 billion. In 2018, our total syndicated loan renewal rate was 110%, reflecting the high level of confidence in our country and the Bank. Furthermore, we successfully hosted the EMTA FORUM, organized by the Emerging Markets Traders Association, which counts 175 investment firms worldwide among its members. This major event also made a positive change in the perception of Turkey in international markets.

In May 2018, we executed a securitization transaction worth USD 380 million, which was given a rating of BBB + – two notches above investment grade – by Fitch Ratings. This was followed by another securitization transaction worth USD 300 million in October. In a year when concerns about emerging markets intensified, VakıfBank obtained USD 5.8 billion in funding from abroad despite such challenging market conditions. In sum, we boosted loans that were obtained by 46.07% to TL 41,350 million in 2018.

VakıfBank also continued to support the national economy with its robust and liquid balance sheet. The Bank extended the average maturity of its TL financing sources via non-deposit products. As part of its Covered Bond Programme, the Bank issued two covered bonds worth of TL 2 billion in total in two separate transactions in February and December 2018. In September, we materialized Turkey's first Additional Tier 1 bond issuance, except for participation banks, worth TL 4.99 billion. Having issued bonds totaling TL 15.3 billion in the domestic market, the Bank's total securities issued rose 14.69% to TL 22,347 million.

In the coming year, we will continue to be the strength on their side of our customers by placing digitalization at the center of our transformation process, and offering innovative solutions in line with our forward-looking banking philosophy.

2018 was a year when VakıfBank ramped up its digital transformation efforts. We closely monitored changing trends and continued our technology investments. We offered practical solutions to customers and employees in their daily lives with new initiatives designed and implemented to boost operational efficiency, enhance sales performance, improve customer and user experience. During this period, VakıfBank upgraded its mobile banking application – which has nearly 3.5 million users – with a customer-focused approach and innovative solutions. We also decided to establish an R&D Center in order to better keep pace with digital change and transformation. Accordingly, we established the R&D and Digital Transformation Department at the Bank. In 2019, we will continue to be the "strength on the side of our customers" by placing digitalization at the center of our transformation process. VakıfBank is committed to delivering innovative solutions in accordance with our forward-looking banking philosophy.

This year as well, VakıfBank received awards from various international organizations. In 2018, we garnered the Best Banking Brand Award from Global Brands Magazine, one of the UK's most prestigious publications; Europe's Best Sponsorship Award for our 32-year support to VakıfBank Sports Club, which represents Turkey abroad with great success; the Excellence Award at the Communicator Awards for our Mobile Fields Sales Application; and eight awards in total in different categories from the International Business Awards (Stevie Awards).

A part of the VakıfBank family, our sports club continued to achieve tremendous success in 2018. For the second time in a row and for the third time in total, VakıfBank Women's Volleyball Team, which we have supported for 32 years, brought home the world's most important volleyball cup. Having won the World Championship three times in the last six years, our team has become the most successful Turkish sports team. With this most recent impressive championship win, VakıfBank Women's Volleyball team has bolstered its status as Turkey's most successful volleyball team internationally. Additionally, the VakıfBank Women's Volleyball Team won the European Champions League and gained its third Unbeaten Clubs World Championship Cup, while winning the Turkish Championship for the 10th time.

In 2018, we also made an ambitious entry into the field of cultural publishing. We established VakıfBank Culture Publications (VBKY) with the aim of delivering unparalleled books to a discerning readership. With commenting the word of "vb" stands for Discerning Bank, committed to publishing works not found elsewhere, we have printed nearly 20 sophisticated volumes, included some 100 works in our publications list and submitted these to the editorial board. In the coming year, VakıfBank Culture Publications will offer readers invaluable works in history, philosophy, humanities and social sciences.

Having adopted the vision being the Leading Bank of Strong Turkey and the corporate strategy of Profitable, Productive and High Quality Growth, VakıfBank plans to remain the strength on the side of the Turkish economy and all its stakeholders in 2019. On this occasion, I extend my gratitude to our customers as well as our devoted employees, shareholders, investors and other stakeholders for their many contributions to our ongoing success.

Yours sincerely,

Mehmet Emin Özcan
General Manager

THE WORLD AND TURKEY IN 2018

VakıfBank is on your side

with accurate analyses of global and domestic economic developments...

Protectionist policies, trade-related tensions and political uncertainties posed risks to global economic growth in 2018.

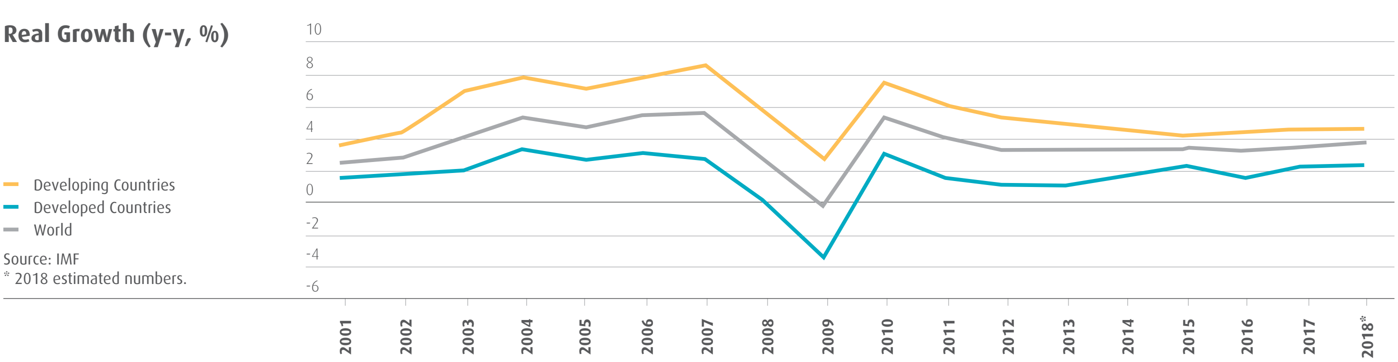
Global Economy

In 2018, the global economy gave signs of slowing down.
The world economy expanded 3.8% in 2017. Although growth came at 3.7% is expected for 2018, downside risks included the economic slowdown in China, protectionist trade policies, political uncertainties and Brexit-related worries. In 2019, the global economy is forecast to expand 3.5%.

Protectionist policies, trade-related tensions and political uncertainties posed risks to global economic growth in 2018. Trade wars between the USA and China topped the agenda in 2018. The trade spat between the two countries began in March when Trump imposed customs duties on imported steel and aluminum. Subsequently, tensions mounted as the two sides increased trade tariffs mutually. Finally, during the G-20 Leader Summit on November 30 – December 1, US President Donald Trump and Chinese President Xi Jinping agreed that no new customs duties should be introduced between the two countries for 90 days. Furthermore, the US and China would have to hold 90 days of negotiations to reach a deal, which was viewed as a favorable development. However, in consideration of the previous tensions between the United States and China, the markets approached the latest developments with caution.

The European Union (EU) was also adversely affected by protectionist policies and trade wars. Especially in the second half of the year, slowing economic growth and aggravating political problems posed risks for the EU. The Yellow Vest Protests that commenced in November against French President Emmanuel Macron, one of the staunchest defenders of the EU, in reaction to rising oil prices and worsening economic conditions led to political instability. In the last months of 2018, concerns about Italy's budget for 2019 emerged as another major risk factor for the European Union. Italy's Budget Deficit/GDP target of 2.4% for 2019 was rejected by the EU Commission. Compromise was reached when Italy, which has a heavy public debt burden, revised its Budget Deficit/GDP target to 2.04%.

Real Growth (y-y, %)



Source: IMF
* 2018 estimated numbers.

Uncertainty surrounding the UK's Brexit process continued throughout 2018. Prime Minister Theresa May agreed on a draft Brexit agreement with EU countries, but then later had to postpone the UK Parliament vote on the draft until January due to internal opposition from her own party.

Waging trade wars with the US, declining Chinese imports and exports, and decelerating global growth have had a negative impact on China's economy. After expanding 6.9% in 2017, the Chinese economy grew just 6.4% in the last quarter of 2018, its weakest growth performance since the financial crisis. For 2018 as a whole, China recorded its slowest growth rate since 1990: 6.6%. In the aftermath of the massive capital flight of 2015, concerns remain that the Chinese economy may enter a new crisis. However, China is not expected to experience a similar problem as in 2015. The country adopted expansionary monetary policies to counter the economic slowdown following the trade dispute with the US. China has relatively low FX-denominated debt despite high overall foreign debt. Furthermore, it has capital controls in place and boasts very high US Dollar reserves. The trajectory of the trade disputes between the US and China will be an important factor for the global and Chinese economies going forward.

In 2018, the Fed hiked interest rates four times.

In 2018, the Fed hiked its benchmark interest rates four times, each by 25 basis points, as expected. Ongoing trade wars, the sharp decline in US stock markets in fourth quarter, concerns about a slowdown in global growth, and falling oil prices have led the markets to expect the Fed will slow rate hikes. Furthermore the yield curve, closely followed by market analysts and widely seen as a recession indicator, has become inverted in two- and five-year Treasury bonds, and stayed flat in ten-year bonds. This prompted the Fed to reduce its interest rate rise expectations from three to two for 2019. The Federal Reserve anticipates a single interest rate rise for 2020. The Fed also stated that its rate rises for 2019 will be data-driven, signaling that interest rates are currently near their natural rates. After starting to reduce its balance sheet in October 2017, the Fed continued the normalization process throughout 2018. Fed Chairman Powell stated that the Fed will further shrink its balance sheet of USD 4.5 trillion in 2019. In the coming year, the markets will keep close watch on changes in the Fed's interest rate road map.

The European Central Bank (ECB) continued to normalize its monetary policy by ending Quantitative Easing in December 2018. The ECB, which kept its interest rates unchanged in 2018, is not expected to increase rates until the second half of 2019, or until inflation approaches 2%. The ECB's first interest rate hike is expected, at the earliest, in fourth quarter 2019, or in 2020.

Following its first interest rate hike after the global crisis in 2017, the Bank of England (BoE) raised its interest rates once again in August 2018. Unlike the Fed and ECB, the Bank of Japan (BoJ), which has failed to disentangle itself from the low inflation – low growth spiral, has continued its yield curve-adjusted monetary expansion program by keeping interest rates and incentive programs unchanged.

Fluctuating Oil Prices were prevailed in 2018.

US sanctions on Iran scheduled for November were priced in at the beginning of 2018. This led to sharp rises in oil prices, with the price of crude oil peaking above USD 76 per barrel. The US sanctions on Iran's oil and energy exports implemented in on November 5. However, US President Donald Trump pressured OPEC (Organization of Petroleum Exporting Countries), especially Saudi Arabia, to not reduce their oil production, in order to keep the oil embargo against Iran from triggering a rise in oil prices. In addition, Trump granted a 180-day exemption to eight countries that import oil from Iran, to ensure that the embargo on Iran does not cause a supply shortage in the market. The countries benefiting from this six-month exemption are China, Greece, India, Italy, Japan, South Korea, Taiwan and Turkey. While the US offered an exemption to these nations to prevent a jump in oil prices, it tried to prevent production shortages by urging Saudi Arabia, the biggest producer within OPEC, to produce more. In November, Saudi Arabia's oil production reached a historic high of 11 million barrels per day.

At the Vienna meeting between OPEC and Russia, which is not an OPEC member, on December 6, 2018, OPEC reached an agreement concerning production in the first six months of 2019. OPEC producers agreed to reduce production by 800,000 barrels per day. Meanwhile, Russia and other allies agreed to cut their oil production by 400,000 barrels. This reduction of 1.2 million barrels will come into effect in January. The US-China trade war, expectations for global economic slowdown in fourth quarter, and the ensuing market expectation for a decrease in world oil demand suppress any possible rise in oil prices. The price of US crude oil, which followed a volatile course in 2018, fell to below USD 50 per barrel. In November 2018, the US started to impose its embargo on Iran. However, the six-month exemption of eight countries from the embargo was effective in bringing about a decline in oil prices. In addition, US shale oil production and the country's transformation into a major oil exporter have strengthened the expectation that oil prices will not rise in the coming year. However, the US embargo imposed on Venezuela's state-owned oil company to put pressure on President Nicolas Maduro, poses an upside risk for oil prices.

THE WORLD AND TURKEY IN 2018

Moderate growth
initiated by the government's stimulative measures

In the first nine months of 2018, the Turkish economy posted moderate growth came at 4.7%.

4.7%

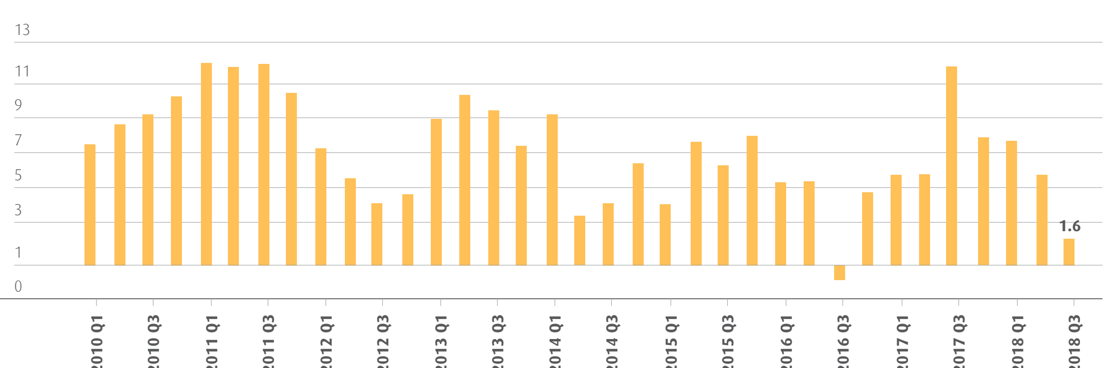
Economic Growth in the First Nine Months of 2018

Turkish Economy

Turkey's economy posted moderate growth in 2018.
Having ranked high among G-20 countries with a 7.4% growth rate in 2017, Turkey's economy recorded moderate growth came at 4.7% in the first nine months of 2018. After expanding 7.2% in first quarter and 5.3% in second quarter, the Turkish economy slowed in third quarter to grow 1.6% due to the jump in interest rates. Despite the slowdown in third quarter, the spike in the foreign exchange rate boosted export revenues, which made a larger contribution to economic growth. This positive impact is expected to continue in fourth quarter. With the measures announced by the government, Turkey's economy is forecast to stabilize in fourth quarter. Due to a lower pace of expansion in fourth quarter compared to the previous one, the economy is projected to record 3.8% overall growth in 2018.

The budget deficit widened in 2018.
Turkey's budget deficit, which stood at TL 47.8 billion in 2017, expanded 52% in 2018 to TL 72.6 billion. Meanwhile, the primary surplus, which was TL 8.9 billion in 2017, fell by 85% to TL 1.3 billion. In 2018, budget revenues was up by 20.2% year-on-year to TL 757.8 billion while budget expenditures increased 22.4% to TL 830.5 billion. During the year, the government announced various incentives to support the economy, boost employment and stimulate domestic demand. Minimum wage support for employers continued through the first nine months of the year. In April 2018, tax exemptions were offered to some investors via a project-based incentive system. In May 2018, a ceiling was placed on the Special Consumption Tax on fuel. Other measures implemented during the year included the restructuring of tax and fine related debts, zoning amnesty, and bonuses for pensioners. The social security contribution support were provided to Private sector employers. In the last two

Growth Rate (y-y, %)



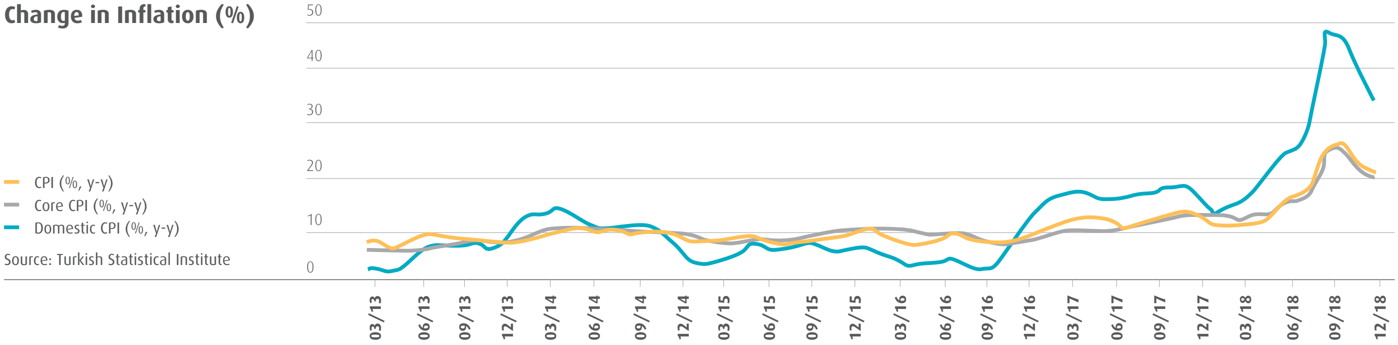
Source: Turkish Statistical Institute

Fiscal discipline was maintained as the budget deficit to GDP ratio came in at 1.9%, in line with the target in the New Economy Program.

months of 2018, VAT and SCT were reduced in the housing, furniture, white goods and automotive sectors. These incentives, which were designed to boost growth and the real sector, led to an increase in the budget deficit in 2018. However, the rise in the deficit was limited by an increase in non-tax revenues. As a result, the budget deficit for 2018 came in at TL 72.6 billion, in line with the NEP target of TL 72.1 billion. The budget deficit to GDP ratio was 1.9% in line with the NEP target; thus, fiscal discipline was maintained. In 2018, tax revenues rose 15.8% compare to the previous year while non-tax revenues jumped 52.9%. Non-interest budget expenditure was up by 21.7% while interest expenditure increased 30.4%. The hike in interest rates in the second half of 2018 brought about an increase in interest expenditure. In 2019, the ratio of the budget deficit to GDP is expected to decline to 1.8% as foreseen in NEP.

Inflation closed the year at 20.30%.
After ending 2017 at 11.9%, inflation peaked at 25.24% in August 2018 due to the sharp rise in the foreign exchange rate. Subsequently, inflation started to cool as

Change in Inflation (%)



Source: Turkish Statistical Institute

THE WORLD AND TURKEY IN 2018

Full support to the stabilization process
via monetary policy...

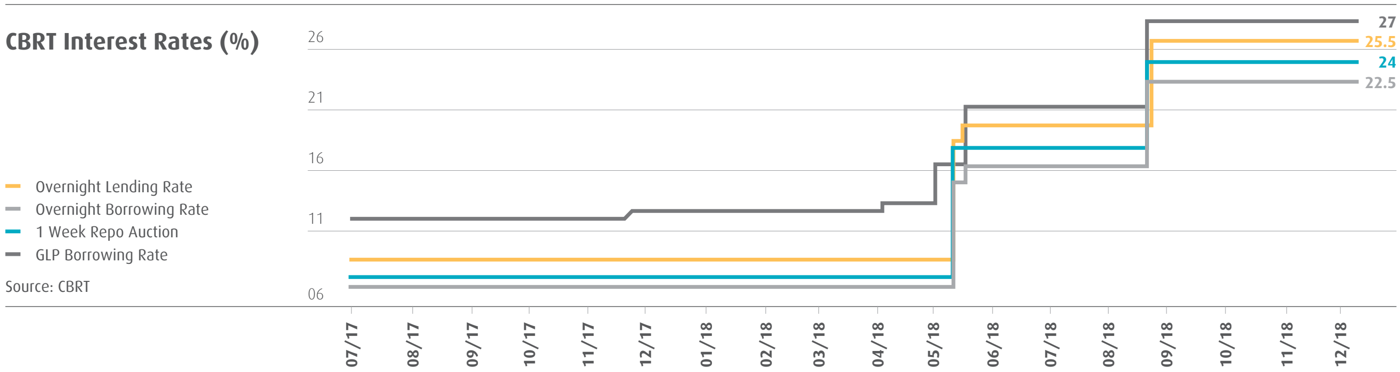
The CBRT maintained its tight monetary policy stance in 2018, as it had in 2017.

the foreign exchange market stabilized and government measures were implemented. Inflation ended the year at 20.30%. In 2019, inflation is expected to rise slightly in the first quarter, and then decline in the second half of the year, closing the year at 15.9%.

CBRT maintained its tight monetary policy stance.
Throughout 2018, the Central Bank of the Republic of Turkey (CBRT) continued the tight monetary policy stance it had adopted in 2017. The CBRT adhered to a contractionary approach despite sharp fluctuations in the foreign exchange market, trade wars on a global scale, Brexit-related developments, the Fed's monetary tightening measures, and the exacerbation of the negative impacts of geopolitical risks.

Taking into consideration the upside risks to inflation, the CBRT increased the late liquidity window lending rate by 300 basis points to 16.5% at its extraordinary meeting held in May. During the same month, the CBRT completed its simplification process and set the one-week repo rate as its policy rate. Increased volatility in the foreign exchange rate and mounting inflationary risks prompted the CBRT to opt for radical monetary tightening by raising the policy rate by 625 basis points at its September meeting. The CBRT raised the one-week repo rate to 24%, the overnight lending rate to 25.5%, the borrowing rate to 22.5%, and the late liquidity window lending rate to 27%. In addition, the CBRT took steps to provide liquidity to banks, such as reducing required reserve ratios and implementing measures related to TL and foreign currency liquidity management. The CBRT emphasized that it will maintain a tight monetary stance until a long-term decline in inflation is ensured.

CBRT Interest Rates (%)



Source: CBRT

The unemployment rate was increased.

After dropping in the first two quarters of the year, unemployment rate rose in the third quarter, hitting 11.6% in October due to increasing in foreign exchange rate and interest rates, as well as the marked slowdown in economic activity. Despite the economic stabilization that started in fourth quarter, domestic demand remained weak. This was reflected clearly in service sector employment figures. Contraction in the construction sector due to cost-side pressures had a negative impact on employment in this key industry as well. The unemployment rate is expected to decline in the second half of 2019 as the economy continues to rebound.

The central government's gross debt stock has increased, due to the jump in foreign debt.

The central government's gross debt stock, which stood at TL 876.5 billion in 2017, climbed to TL 1 trillion 66 billion in 2018. Some TL 586.1 billion of the debt stock is TL denominated, while the remaining TL 480.6 billion is foreign currency denominated.

In line with Maastricht Criteria, also called the Fiscal Rule of the EU, Turkey's ratio of debt stock to GDP stands below the 60% mark and is expected to remain below this level in the coming year.

In 2018, Turkey's current account balance recorded a surplus for the first time in three years.

In May 2018, the annual current account deficit climbed to USD 58.2 billion, its highest level since April 2014. Subsequently, the current account gap narrowed with the introduction of economic stabilization measures. In August, the current account balance recorded a surplus for the first time in three years. As the current account balance showed a surplus for four consecutive months, the 12-month cumulative current account deficit decreased to USD 33.9 billion in November. The current account gap is expected to decline in December with the current account deficit/ GDP ratio closing 2018 at 3.5%. The narrowing in the current account deficit is forecast to continue in 2019.

THE WORLD AND TURKEY IN 2018

The banking sector achieved **19% growth in 2018...**

In 2018, Turkey's banking sector assets recorded 18.7% growth driven by loans, climbing to TL 3 trillion 867.1 billion.

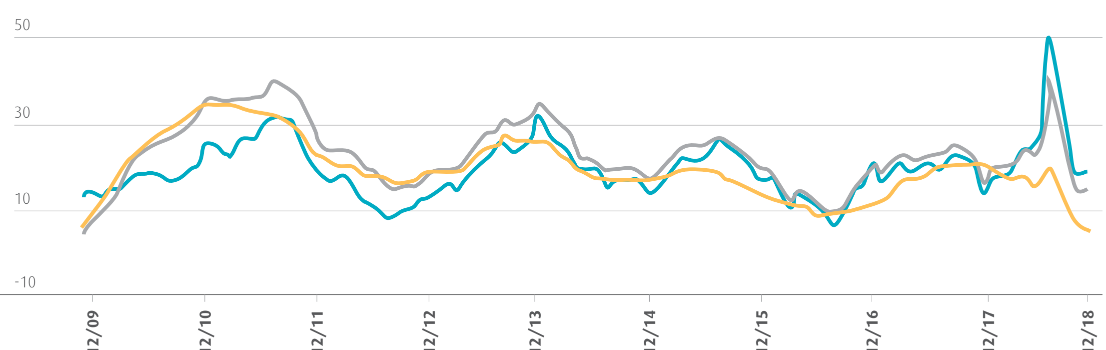
Banking sector

Turkey's banking sector maintained its strong financial structure despite all the adversities experienced in 2018.
Turkey's banking sector assets recorded growth came at 18.7% driven by loans in 2018, climbing to TL 3 trillion 867.1 billion. Loan growth initially slowed compared to a year earlier, but then picked up as the rapid rise in the foreign exchange rate in August led to an increase in foreign currency commercial loans. However, the slowing economy in the second half of the year caused loan growth to lose momentum as well. As loan growth down shifted, non-performing loans started to rise. As a result of the increased domestic borrowing requirement of the Treasury, the securities portfolio of banks expanded in 2018. After posting 14.3% growth in 2017, the banking sector's securities portfolio expanded 19% as of the end of 2018. In 2019, loan growth is projected to decelerate and NPLs are forecast to increase in the first half, in parallel with the slowdown in the Turkish economy. However, absent a new spike in foreign exchange rates and or a rise in interest rates, Turkey's economy is widely expected to return to the growth in the second half of 2019, with NPLs decelerating.

In 2018, deposits retained their importance within total liabilities.
Deposits remained the main funding source of the banking sector in 2018. However, non-deposit funding sources accounted for a larger share of total liabilities during the year. The rise in the foreign exchange rate led to an increase in both deposits and non-deposit funding sources. In 2018, the loan to deposit ratio hovered above 100%, while the TL loan/deposit ratio stood at 138.1%. Deposits were concentrated in short term accounts, as in previous years.

Positive outlook in capital adequacy
The banking sector reported lower profit growth in 2018 due to the rise in the foreign exchange rate and the base effect from the last year. The sector posted TL 53.5 billion in profit for the year. The capital adequacy ratio (CAR), which down trended the first half of 2018, reversed course in third quarter. The CAR rose from 16.8% at the end of 2017 to 18.3% at the end of 2018.

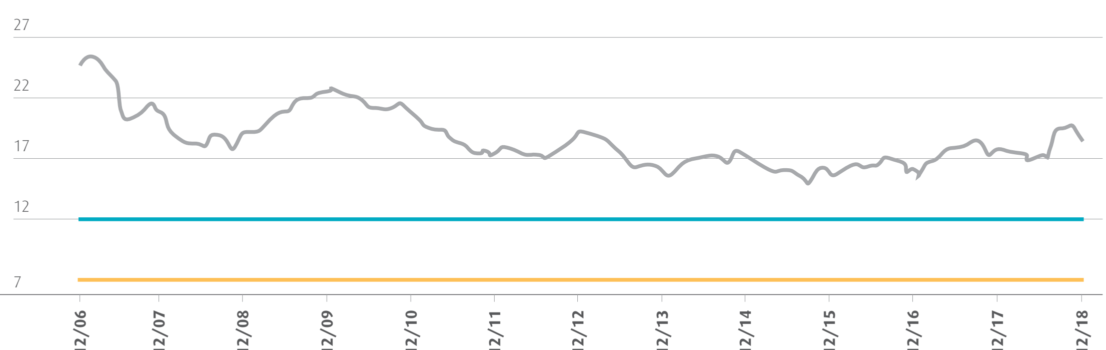
Loans



Loans (Adjusted exchange rate, y-y, %)
Loans (y-y, %)
Assets (y-y, %)

Source: BRSA

Capital Adequacy Ratio (CAR)



- Target Rate
- Legal Threshold

Source: BRSA

2018 AT A GLANCE

VakıfBank is on your side

by prioritizing customer satisfaction and making a difference with its innovative approach,

In 2018, VakıfBank recorded healthy credit and asset growth while not compromising on total customer satisfaction.

VakıfBank: The strength on the side of the national economy

In 2018, VakıfBank relocated its headquarters to a new campus and designated its vision for the new period as the "Leading Bank of Strong Turkey." With its solid performance throughout a challenging year, VakıfBank continued to be the strength on the side of the national economy and all its stakeholders. VakıfBank stood apart from the competition with its robust balance sheet, high liquidity and increasing market share. The Bank continued its uninterrupted support to the real economy during the year.

Despite the heightened risk perception and market volatility in emerging economies, VakıfBank recorded healthy growth in loans and assets without compromising its philosophy of total customer satisfaction. With 951 branch locations, 16,767 employees and efficiency-centered strategies, the Bank continued to be the strength on the side of households and the real sector while outperforming the sector average in numerous balance sheet metrics.

In 2018, VakıfBank further deepened cooperation with its subsidiaries under VakıfBank Finance Group. The Bank aims to serve customers across all areas of financial services. With this approach, VakıfBank provides customers the convenience of receiving all services from a single brand, while making a positive contribution to the balance sheet of the Bank and its subsidiaries.

Digital transformation gained pace in 2018.

In keeping with its revised vision for the new reporting period, VakıfBank embarked upon a transformation process centered on digitalization. 2018 was a year when the Bank's digital transformation picked up pace. The Bank has revamped all its business processes and applications, while also supporting this transformation with new products.

As a result, more than 93% of all banking transactions was executed via non-branch channels in 2018. Meanwhile, the user base of VakıfBank Mobile, which was upgraded during the year, approached 3.5 million. Boasting numerous unique features – such as withdrawing money via QR code, direct login to the e-government system, card-free payment, payment with a single click, and access to the Trade Online application – VakıfBank Mobile is an industry standout with its exceptional security and extensive array of transactions.

Having upgraded its Call Center during the year and expanded its customer representative employees, VakıfBank also became the first bank to issue digital letters of guarantee – one of the products most resistant to change in the sector. Setting an example with its know-how and transformation efforts, VakıfBank has provided guidance to numerous domestic and international enterprises with its deep experience.

VakıfBank Culture Publications was founded in 2018.

Efforts to establish VakıfBank Culture Publications (VKBY) commenced in 2018. The publishing house aims to deliver unequaled works to a discerning readership. VKBY published and distributed its first volumes in the same year. VKBY is committed to enriching and promoting culture and the arts, first at a national and then at a universal level. It plans to preserve and develop the assets and values that it has inherited. The publishing house generated intense interest at the fairs and events it participated in during 2018.

Publishing world class works in history, philosophy, humanities, social sciences, arts, economics, classics, youth and academia, VKBY extends its publishing catalogue with sophisticated, groundbreaking books that raise public awareness, in line with its forward-looking editorial policy.

In 2018, More than 93% of all banking transactions was executed via non-branch channels in 2018. Meanwhile, the user base of VakıfBank Mobile, which was upgraded during the year, approached 3.5 million.

VakıfBank maintained its leadership in providing cost-effective funding from international debt capital market.
In 2018, VakıfBank continued its role as Turkey's pioneer bank in providing funding from international debt capital market. The Bank continued to be the strength on the side of the national economy with long term and cost effective funding sources, provided under different structures such as Eurobond, covered bond, private placements, the transactions under post finance program and IFI borrowings.

VakıfBank became the most active bank in providing international funding sources via different transactions during the year. International borrowings reached USD 5.6 billion in 2018. This success came at a time when developments in international markets and speculative attacks on Turkey reached their highest level. It also once again confirmed the confidence of international markets in both VakıfBank and Turkey. In addition, the participation of global players from developed economies in these borrowing transactions probed the Bank's reputation.

The Bank provided support to educate special children.
Having grouped all its corporate social responsibility activities under the single brand "I am on Your Side," VakıfBank supported numerous projects for the education of special youth – a focus area of its CSR efforts.

VakıfBank sponsored the creation of 19 mechatronics and mind games workshops in various cities across the country. This effort was part of a joint project conducted together with the Science Arts Education Centers (BILSEM) operating under the Ministry of National Education. VakıfBank provides ongoing support to the initiative, which aims to improve the unique talent of special children identified at primary school level by exams.

In cooperation with Anatolia Autism Foundation, the Bank provided support to the Center for Early Intervention, Training, Follow-up and Research in Autism Services, currently under construction. The Bank also engaged in efforts to raise awareness in this area.

We won awards for our product branding and communications efforts.
VakıfBank ramped up its product and service branding efforts in parallel with its customer-oriented activities. The Bank was presented with many awards for its corporate achievements in 2018.

In addition to offering customers innovative products such as Mobile Field Sales, Bee Account, My Rent is Safe, and Win on Mobile, VakıfBank climbed higher in the most valuable brands ranking. The Bank continued to make progress in brand perception and advert remembrance levels thanks to its effective communication efforts.

In "Turkey's Most Valuable Brands" ranking compiled by Brand Finance, VakıfBank achieved the fastest progress. The Bank also received over 30 awards and honors from domestic and international organizations, experiencing a golden year in terms of recognition for its excellence.

VakıfBank: The Champion of Turkey, Europe and the World
VakıfBank Women's Volleyball Team has gone from strength to strength over the last 32 years with uninterrupted support from the Bank. Once again in 2018, the celebrated team won numerous gold medals and trophy cups. The Yellow-Blacks were the winners of all major tournaments they participated in during the year. As a result, VakıfBank Women's Volleyball Team became the champions of Turkey, Europe and the World – inspiring tremendous pride across the Bank and the nation.

First, VakıfBank beat its main rival Eczacıbaşı Vitra by winning three out of the five Turkish League finals games they played, reaching its 10th Turkey Championship in April 2018.

The Yellow-Blacks advanced to the Final Four of the CEV European Championship League held in Bucharest, Romania unbeaten. VakıfBank then faced Italy's Imoco Volley and subsequently the home team Alba Baj. Winning both of these games, VakıfBank acquired its fourth unbeaten European Championship, thus gaining its fourth star.

Finally, VakıfBank participated in the FIVB Clubs World Championship held in China in December. The Yellow-Blacks won all five matches it played in the tournament, gaining its third gold medal in this category.

With these remarkable achievements, VakıfBank Women's Volleyball Team has maintained its title as "Turkey's most successful team internationally." The team has also been closely followed and highly appreciated by all stakeholders.

“**I am on Your Side**” so that **İzmir’s** youth can receive much-needed special education and enjoy an enhanced quality of life.

Yanında Ben Varım

VakıfBank provides voluntary support to the Center for Early Intervention, Training, Follow-Up and Research in Autism established by the Anatolia Autism Foundation in İzmir.

İzmir Özdemir (5)
Anatolia Autism Foundation

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
as the financier of high value-added projects...

VakıfBank offers all the products and services demanded by corporate banking customers thanks to its highly specialized sales and operations employees, an extensive product range, advanced technology infrastructure and lean business processes. With this approach, the Bank is the solution partner of its corporate customers.

53%

Growth in Corporate Loans

Corporate Banking

As the strategic solution partner of its customers, VakıfBank Corporate Banking was the strength on the side of corporate customers in 2018. VakıfBank offers all the products and services demanded by corporate banking customers thanks to its highly specialized sales and operations employees, an extensive product range, advanced technology infrastructure and lean business processes. With this approach, the Bank is the solution partner of its corporate customers.

Expanding Customer Base

VakıfBank Corporate Banking used a wide variety of offerings to achieve this objective. These included direct debit system (DDS), card-based collection systems, dealership letter of guarantee agreements covering the dealer and supplier networks of corporate customers, and wholesale payment systems in accordance with the Bank's strategy of growing and acquiring market share. The Bank made significant progress in being the primary bank of corporate customers, their affiliates and subsidiaries. In addition, VakıfBank acquired numerous new customers among supplier and dealer companies, and enterprises in other areas of the financial value chain.

In 2019, VakıfBank expanded its corporate customer base to 1,230 and recorded a 17.96% increase in the number of products used by its existing corporate customers.

"The Primary Bank of Its Customers"

VakıfBank operates in the corporate banking segment with a customer-focused sales and marketing strategy, a company-specific service orientation and an approach that values customers as long-term business partners. In 2018, the Bank also boosted its transaction volume thanks to its vision of being the "Primary Bank of Customers."

During the year, VakıfBank maintained its high asset quality and continued its loan support for real sector companies. The Bank achieved this success thanks to the effective and robust criteria it used to select customers in an environment marked by increased risks in emerging countries and market fluctuations. In 2018, VakıfBank boosted corporate cash loans by 53.21% and increased corporate non-cash loans by 15.86%, thus firmly being the strength on the side of the national economy.

Corporate Banking mediates in the collection and payment to customers of export fees, which play a key role in the foreign exchange inflows to Turkey. VakıfBank posted a 24.69% increase in this area over the previous year.

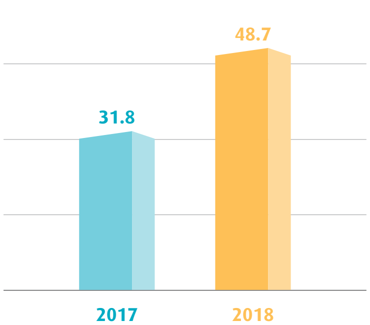
VakıfBank financed the high value added projects of its corporate customers in 2018. The Bank created financing facilities by allocating long term cash and non-cash loans for customers' investments.

In 2018, VakıfBank continued to contribute to the development of the country's economy and the real sector by achieving a 63.88% increase in project loans extended to customers in the corporate segment. The Bank plans to support to such national development projects in 2019 as well.

Thanks to the strategy of expanding cross selling to corporate segment customers, VakıfBank increased the volume of collection by 22.85% and boosted the volume of tax and social security collections by 3.36%.

As the strength on the side of its customers in every type of financial requirement, VakıfBank provides its corporate customers with banking services such as project financing, treasury and cash management transactions. Meanwhile, the Bank's subsidiaries offer factoring, leasing and insurance services to corporate customers.

Corporate Loans (TL Billion)



In 2017, the Corporate Banking Product Development and Sales Coordination Department was established under VakıfBank Corporate Banking in addition to the existing departments. This restructuring effort aim to providing special services to corporate customers. In 2018, the Department remained committed to rapidly meeting product requests, which vary from one corporate customer to the next, and further raising the quality of the service on offer. VakıfBank met the needs of its customers in corporate and other segments and provided digital banking support to subsidiaries active in factoring, leasing and insurance to ensure the swift and efficient performance of their services.

Under the Electronic Letter of Guarantee Platform project, whose systems infrastructure was designed by the Credit Bureau, the Bank visited leading industrial enterprises, which figure in our corporate customer segment and deal with a vast volume of letters of guarantee, together with Credit Bureau officers to provide them with detailed information on our products.

In 2018, VakıfBank continued to invest heavily in technology, and digitized many of its products and services. The Bank plans to further expand its digitization investments in 2019.

Project Financing

As a result of the revamp of VakıfBank's organizational structure in 2017, the Project Finance Department was established under the Corporate Banking Marketing Department to make loan allocation processes more streamlined and functional. In 2018, the Department conducted a preliminary examination of such efforts. The Project Finance Department continued to meet the financing needs of its SME, Commercial and Corporate customers for their investments and projects with its over 20 years of experience in this area. Funds obtained from international financial institutions – such as European Investment Bank and World Bank – were extended to SME, Commercial and Corporate customers as investment and working capital, ensuring the diversification of financial solutions.

VakıfBank focuses on eco-friendly and sustainable development which minimizes the adverse effects of global climate change. The Bank is included in Borsa Istanbul (BİST)'s Sustainability Index. In line with this sustainability-oriented mission, the Bank provides loans with favorable conditions to commercial and corporate customers for their energy efficiency and renewable energy projects.

In 2019, the Project Finance Department plans to contribute to new customer acquisition by informing branch employees about the project finance processes renewed in 2018 through branch and regional visits and by offering investment loan solutions in line with customer visits.

VakıfBank sees customer relations as long-term collaborations and is committed to the principle of being on the side of customers under any circumstance. The Bank aims to further strengthen cooperation with existing customers via innovative products and cash/non-cash credit facilities. VakıfBank also aims to acquire new customers by expanding its operations in the corporate segment, thus remaining the strength on the side of its customers.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with commercial loans reaching TL 170.2 billion in 2018...

In 2018, VakıfBank maintained stable and broad-based growth with products customized to meet customer needs and expectations.

5.5%

Growth in Commercial Customer Base

Commercial Banking

VakıfBank delivers commercial banking services to large-scale commercial enterprises while focusing on public institutions and enterprises and providing the highest customer satisfaction. In 2018, the Bank maintained stable and broad-based growth with products and services customized to meet customer needs and expectations.

Steady Growth

Developing the most suitable solutions by analyzing customer needs, VakıfBank Commercial Banking formulated a strategy and action plan with customer-oriented solutions and an approach centered on asset quality and profitability. As a result, the Bank enlarged its commercial customer base while significantly boosting its cross-selling ratio and segment profitability.

Following modifications to the Bank's organizational structure, commercial customers with similar needs and expectations, who prefer products with similar characteristics, have been positioned correctly. Under its business model, the Bank opened 35 new commercial branches complete with expert employees in order to develop diversified marketing strategies and meet the financial needs of commercial customers at top speed and with the highest service quality.

With its dynamic and expert human resources, the Bank met the needs and expectations of its commercial customers while also delivering rapid, more sophisticated services using innovation and alternative financial solutions. The Bank closely monitored the latest technological developments and continued to move forward, expanding its commercial customer base by 5.5% in 2018.

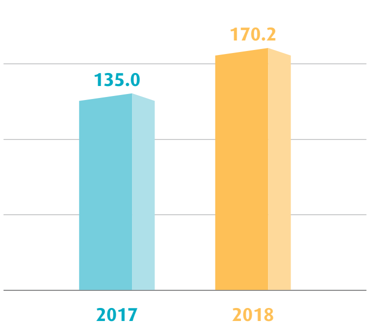
Providing its commercial customers with best-suited solutions to meet their financial needs. Thanks to an extensive product range and wide branch network, VakıfBank expanded its commercial cash loan portfolio by 26% and boosted non-cash loans by 41% as of year-end 2018.

Thanks to the strategy of increasing cross-selling, VakıfBank increased the volume of collection cheques intermediated by the Bank in the commercial segment by 15% in 2018. The Bank also boosted the volume of tax collections by 8%, social security collections by 30%, and Gümkart collections by 26%.

In the international trade transactions of commercial customers, the Bank has developed additional services suited to meet specific needs and new products to appeal to specific customers groups in order to boost diversification.

VakıfBank meets the needs and expectations of customers with its expert and dynamic employees.

Commercial Loans (TL Billion)



CBRT Rediscount Credits

To promote well-balanced growth, CBRT extends export rediscount credits to exporters and export-oriented manufacturers via Türk Eximbank A.Ş. and commercial banks active in Turkey.

VakıfBank mediated in CBRT Rediscount Credit allocations to meet commercial customers' pre-shipment and post-shipment financing needs, in accordance with CBRT's Export and Foreign Currency-Yielding Rediscount Credits Application Regulation.

Foreign Trade Loans from European Bank for Reconstruction and Development (EBRD)

Under the agreement signed between VakıfBank and European Bank for Reconstruction and Development, pre-shipment and post-shipment financing needs of commercial customers were met with the EBRD Foreign Trade Loan product. Loan allocations from the credit facility extended by EBRD to the Bank were conducted in an efficient and effective manner in 2018. As a result, the financing needs of commercial customers for foreign trade transactions were met under favorable conditions.

Project Financing

VakıfBank focuses on eco-friendly and sustainable development which minimizes the adverse effects of global climate change and is included in Borsa Istanbul (BİST)'s Sustainability Index. In line with this sustainability-oriented mission, the Bank provides loans with attractive conditions to commercial and corporate customers for their energy efficiency and renewable energy projects.

In 2018, VakıfBank continued to meet the investment and project financing needs of commercial customers with its extensive experience and expertise in this area. Funds issued from international financial institutions – such as European Investment Bank and World Bank – were extended to SME, Commercial and Corporate customers as investment and working capital, ensuring the diversification of financial solutions. The Bank's commercial segment-focused loan campaigns, service approach centered on customer satisfaction and effective customer communications resulted in a 11% rise in project loans extended to commercial customers. As a result, VakıfBank continued to contribute to the national economy and real sector in 2018.

VakıfBank recorded steady growth in project finance in 2018 by offering financial solutions in line with the needs of its customers, thanks to its revamped IT systems infrastructure, prevalent branch network and expert employees.

“I am on Your Side” so that **Ela** can make groundbreaking inventions, experience and inspire pride well beyond her imagination, in the future.

Yanında Ben Varım

VakıfBank provides voluntary support to 19 Mechatronics and Mind Games Workshops organized across Turkey by BİLSEM (Science and Art Centers) for the education of children with special skills.

Ela Gültekin (5)
BİLSEM Mechatronics
Workshop

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with innovative products suited to meet SME needs.

In 2018, VakıfBank extended cash loans amounting TL 59.4 billion to SMEs and continued to be the strength on the side of SME customers throughout the year.

Over 1 million SME Customers

SME Banking

VakıfBank, in line with its vision of being the "Leading Bank of Strong Turkey," continued to grow in SME Banking in 2018 by expanding its product and service range and launching alternative channels to facilitate SME customer access to financial products. As customer needs rapidly diversify in the sector, VakıfBank has developed appropriate solutions by analyzing SME needs accurately.

Performance in 2018

Based on the provisions of the Regulation on Definition, Qualifications and Classification of Small and Medium Size Enterprises, VakıfBank maintained its support of SME customers in 2018 by extending cash loans amounting TL 59.4 billion.

During the year, VakıfBank continued to develop tailor-made and innovative products to meet the specific needs of SME customers.

2018 has been the year when the government continued to extend support to SMEs and craftsmen via the banking sector. VakıfBank played an active role in delivering government support to SMEs and craftsmen. As a part of these initiatives, the government provided support to the Credit Guarantee Fund (CGF), significantly enlarging its capacity to offer collaterals; in turn, CGF backing made it easier for banks to provide financing to SMEs. As a bank that is always on the side of SMEs and the real economy, VakıfBank allocated loans with CGF collaterals of more than TL 26 billion, making VakıfBank as one of the leading banks in the allocation of CGF-backed loans. Many loan products with CGF collateral were designed to meet the financial needs of farmers, craftsmen, women entrepreneurs, exporters and even non-SME businesses.

As part of an agreement signed between Turkish banks, including VakıfBank, and Turkish Union of Chambers and Commodity Exchanges (TOBB), two "Breathing Loan" campaigns were conducted in 2018. Under this agreement, VakıfBank became the strength on the side of SMEs by extending about TL 1.4 billion with a monthly interest rate of 0.99% and TL 350 million with a monthly interest rate of 1.85% to SME customers.

To support the tourism sector, VakıfBank launched the initiative Association of Turkish Travel Agencies (TÜRSAB) Support Credits. Continuing to be the strength on the side of the tourism sector, the Bank offered CGF-backed Turkish lira and foreign currency resources to travel agencies under TÜRSAB.

Upon completion of the project to transfer all letter of guarantee procedures over to the Electronic Letter of Guarantee Platform (ETMP) run by the Credit Bureau (KKB), VakıfBank took justified pride of becoming the first bank in Turkey to extend an electronic letter of guarantee.

In line with its sustainability policy, VakıfBank provided support to Turkish productions with the Machine Purchase Loan: the Strength on the Side of Manufacturers, which was designed to finance manufacturing companies' machinery purchases.

VakıfBank has extended cost-effective loans provided from European Investment Bank, European Bank for Reconstruction and Development, World Bank and the French Development Agency to SMEs. Thanks to the Women Entrepreneurs Support Package, which was created with funds provided by TurWIB programme from EBRD, women entrepreneurs were offered enterprise, workplace acquisition and export loans.

Under the Turkey Sustainable Energy Finance Facility (TurSEFF III), VakıfBank provided funding for resource efficiency and renewable energy investments of commercial enterprises, municipalities and their subsidiaries.

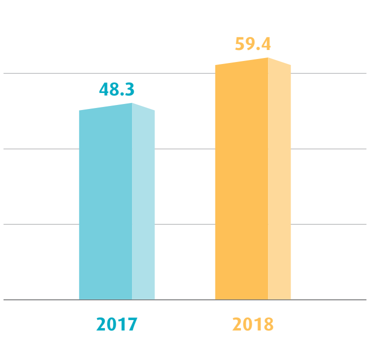
In 2018, the year of its 64th foundation anniversary, VakıfBank offered SMEs the 64th Anniversary Loan featuring a 36-month payback period, affordable interest rates, and a documentation fee of only TL64. The Bank financed SMEs' summer season cash needs with the Summer Loan Campaign at attractive interest rates with various options, including a three-month grace period.

To meet the rising cash needs of SMEs and help them overcome financial bottlenecks in the latter months of the year, the Bank offered SMEs the "Take It Out Now, Pay It Back in 2019" loan, featuring a rare 4-month grace period.

The Bank offered loans at advantageous terms to craftsmen under its Compassionate Loans to Craftsmen effort, which was designed to meet craftsmen' unexpected financial needs in interim periods with customized products.

To boost Turkey's export volume and increase the number of exporting companies as well as helping SMEs join the international e-commerce network and go digital, VakıfBank offered TOBB member companies a free one-year membership on the alibaba.com platform. This special offer was extended in accordance with the agreement signed by TOBB and alibaba.com's only business partner in Turkey, E-Glober. This collaboration enables SMEs to go digital and engage in e-commerce across the world. With this effort, VakıfBank became the strength on the side of SMEs in the digital world as well.

SME Loans (TL Billion)



As part of the SME Energy Efficiency Loan agreement with World Bank, VakıfBank provided financing to the energy efficiency investments of enterprises. The Bank extended funds to the projects of energy service companies (ESCO) using energy performance contracts.

VakıfBank financed the business, export and investment loan needs of micro-, small- and medium-sized businesses, cooperatives, producers' associations and farmers via the facility from French Development Agency (AFD) secured to bolster rural development and agricultural sectors in Turkey.

Goals for 2019

- With the vision of being the Leading Bank of Strong Turkey, VakıfBank, which is the strength of SMEs will continue to support SMEs and act with the aim of delivering top-quality services in 2019 by closely monitoring their needs. Accordingly, in 2019, the Bank will carry on its efforts to provide financial and non-financial services to SMEs and also offer consultancy service to SMEs by meeting their needs that may arise during their operations.
- As a natural result of its ongoing progress and diversification in technology, the Bank will provide practical solutions to SMEs via its digital channels. In 2019, the Commercial Mobile Banking application will be upgraded, and SMEs will be able to access numerous products and services that they need wherever they are located.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
with new products and packages that empower farmers...

In agricultural lending, VakıfBank meets the financing needs of farmers with operating and investment loans that are repaid once a year in accordance with harvest time.

Agricultural Banking

Embracing the belief that sustainable agriculture is critical to the future of our country, VakıfBank has continued to be the strength on the side of farmers since 2014 with its expert employees, innovative products and services customized to meet farmers' needs.

In agricultural lending, VakıfBank meets the financing needs of farmers with operating and investment loans that repaid once a year in accordance with harvest time. On that vein, the Bank meets the operating and investment capital needs of farmers with affordable loans for vegetable production, dairy animals, poultry farming, greenhouses, aquaculture, mushroom growing, beekeeping, organic farming, tractors, farmland purchases, farm equipment, dairy animal purchases and other needs.

TarımKart (VakıfBank Agriculture Card), which was designed to facilitate farmers' access to financing and provided immediately to farmer customers upon application approval, allows farmers to meet their demand for agricultural inputs – such as pesticides, seeds, fertilizers and animal feed – from contracted merchants located across the country with loans featuring six months interest-free. Farmer cardholders can also meet their fuel needs with loans featuring five months interest-free. Farmers holding TarımKart can make purchases under attractive terms thanks to the Bank's collaboration with contracted merchants, such as Agricultural Credit Cooperatives, Pankobirlik, Irrigation Unions, TARİŞ, Petrol Ofisi, TECO and TERMOPET. In 2018, TarımKart holders increased 85% and the number of total farmer customers rose above 150 thousand.

Farmers can obtain state-sponsored TARSİM insurance policies – which constitute the main insurance coverage for their agriculture and animal husbandry operations – via VakıfBank branches and may also have opportunity to make postpone payments until harvest time by making policy premium payments with their TarımKart.. In 2018, the number of customers that purchased TARSİM insurance products jumped 211% year-on-year.

VakıfBank is committed to empowering farmers by cooperating with farmers' organizations and enterprises throughout the agricultural value chain. Accordingly, the Bank developed new products and packages to facilitate payments to farmers from enterprises in the agricultural value chain. A large number of banking products started to be offered to businesses and farmers free of charge during the year.

Cognizant of the crucial importance of licensed warehouse activities for the future of our agricultural sector, VakıfBank mediates in the payment of loans and produce fees in return for Electronic Produce Certificate (ELÜS). With this effort, the Bank gives support to licensed warehouse operations.

Credit Guarantee Fund-backed loans extended to enterprises that have difficulty in accessing finance due to lack of collaterals help producers continue farming without problems.

VakıfBank supports the agricultural development of our country by offering affordable loans to farmers, agricultural cooperatives and unions from funds amounting EUR 80 million under an agreement signed with the French Development Agency.


VakıfBank TarımKart'la
Çiftçimizin Yanındayız
VakıfBank, Yanındaki Güç.
SMS
Aralarında
birer boşluk
bırakarak
TARIM,
T.C. Kimlik No,
yaz 5724'e gönder
Tarım
Bankacılığı

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with customized services for local governments...

In 2018, VakıfBank remained the financial solutions partner of local governments with its extensive range of high-quality products and services.

36.93%

Cash Loan Growth Rate

Local Government Banking

For the first time in a banking sector, by developing a new banking perspective focused on municipalities, their subsidiaries and commercial enterprises, VakıfBank created a department at the executive level in the second half of 2017 to offer a banking service specific to local governments.

In 2018, VakıfBank started to reap the fruits of the synergy created by this new organizational structure. In a very short span of time, VakıfBank paid numerous visits to local governments through very intensive fieldwork. During the year, the Bank's General Directorate sales employees visited more than 130 metropolitan municipalities, provincial, metropolitan district and district municipalities. In this way, VakıfBank monitored and analyzed the needs of local governments on-site. As a result of these analyses, the Bank developed financial solutions that include alternative financing for local governments as well as innovative products and services. The Bank also developed solutions for the business partners of local governments. Working together, VakıfBank formulated long-term solutions with the business partners of the target sector.

VakıfBank has established very close cooperation with the Union of Turkish Municipalities in particular. Extending its national-level cooperation to the international arena, VakıfBank has also provided financing from abroad for the use of local governments.

Performance in 2018

With the new service model, VakıfBank recorded 36.93% growth in cash loans and 36.01% growth in non-cash loans extended to local governments in 2018.

VakıfBank provides practical solutions to both local governments and citizens benefiting from their services with cash management product and service offerings, especially in key areas such as collection and payment systems. With collection applications developed in digital format, local governments can save time and resources during their collection processes.

At the same time, the collection models developed to make it possible for local governments to reach out to more taxpayers and boost the collection rate and speed for their tax receivables. As a result, citizens can make their payments easily, spending less time and effort.

During the year, VakıfBank modified its current systems infrastructure for collection of Municipal Real Estate Taxes. With this effort, the Bank opened up innovative channels easily accessible by all taxpayers.

VakıfBank offers cost-effective funding sources from abroad to local governments for project financing.

These recent systems changes enables real estate tax payment:

- at all VakıfBank ATMs, either from an existing account after being a Bank customer, or by cash without being a Bank customer, and
- via the VakıfBank mobile application from an existing account.

Loan allocation processes customized for local governments
Unlike commercial enterprises, local governments are subject to a set of legislative and procedural requirements to access financing. To facilitate local governments' access to financing, VakıfBank also provides its customers consultancy concerning such governing legislation.

VakıfBank established a special loan allocation department to allocate loan limits to local governments. In addition, the Bank developed a special loan scoring system for municipalities to facilitate healthy and quick loan decisions.

Information delivered on financing provided from abroad.
VakıfBank offers cost-effective funding sources from abroad to local governments for project financing purposes. As a successful business partner of the EBRD-sponsored Turkey Sustainable Energy Finance Facility (TURSEFF), VakıfBank became the first bank to include municipalities under the scope of this program.

In 2018, advanced workshops were held, in metropolitan areas in particular, with TURSEFF program consultants commissioned by EBRD. These workshops – attended by VakıfBank and TURSEFF project consultants, as well as domestic and foreign experts – focused on projects to boost the income of municipalities, especially energy and resource efficiency projects, as well as water management and transportation projects.

All information provided in the workshops was recorded meticulously. With this effort, the Bank has delivered and continues to deliver relevant municipalities' free-of-charge technical and financial consultancy services at every stage of their projects.

The strength on the side of local governments...
In 2018, VakıfBank remained the financial solutions partner of local governments with its high-quality products and services. The Bank will continue to be the strength on the side of local governments in the coming year.

"I am on Your Side" so that **Ege and Özgün** may live independently and play an active role in society.

Yanımda Ben Varım

VakıfBank provides voluntary support to the Center for Early Intervention, Training, Follow-Up and Research in Autism established by the Anatolia Autism Foundation in İzmir.

Ege Uyar (14),
Özgün Yaşar (12)
Anatolia Autism Foundation

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
as a pioneer in retail banking.

In 2018, VakıfBank maintained customer satisfaction at the highest level by diversifying its product sets over the mobile banking, internet banking and ATM channels.

TL 88

Billion
Savings Deposits

Retail Banking

Serving around 15 million retail customers, VakıfBank continues to ranks among the leaders in the sector with its extensive experience in retail banking and customer-focused strategy. In 2018, VakıfBank responded to the financing needs of more than 850 thousand customers under advantageous conditions. As a result of this customer-focused approach, VakıfBank's general-purpose consumer loan portfolio was comprised of 55.78% installment consumer loans, 43.49% mortgage loans and 0.73% auto loans.

Strong growth in consumer loans

In 2018, VakıfBank's general purpose consumer loans grew 2.85% year-on-year with market share of 12.12%. As a result of efforts to increase overdraft account utilization, the Bank increased overdraft loans by 39.88% while maintaining market leadership with 22.30% market share. For the year, VakıfBank recorded market shares in mortgage loans and auto loans of 10.29% and 4.96%, respectively, in 2018.

Customer-focused retail loan products

During the year, the Bank organized segment-based general purpose consumer loan offers – such as exclusive campaigns for the upper income segment among public sector employees – in an attempt to make customers feel special and maximize customer satisfaction. In addition, the Bank continued its pioneering position in the sector by offering the "Establishment Anniversary Loan," "Holiday Loan," "New Year's Loan" and other traditional loan campaigns to all retail customers.

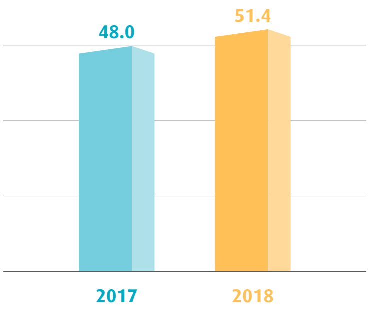
Expansion via digital channels

In 2018, VakıfBank maintained customer satisfaction at the highest level by diversifying its product sets over the mobile banking, internet banking and ATM channels. During the year, the Bank made necessary technological investments in alternative distribution channels to ensure that general purpose loan and overdraft account applications are processed quickly. The Bank boosted customer satisfaction and loyalty by meeting customer needs for general purpose loans immediately via internet banking and mobile banking. By adapting to the latest technological advancements, VakıfBank developed products that enable customers to perform their daily transactions with ease. The Bank also diversified the products that customers require the most, such as money transfers and loans.

Solutions suited to customer expectations and needs

In 2018, the Bank launched the innovative offering "My Rent Is Safe," that is a first in Turkey, thus making another addition to its extensive service range. Under this service, homeowners are given rent collection guarantee, while financial support is provided to tenants. Thanks to this new offering, homeowners no longer have to worry about timely rent payment while new tenants are offered practical solutions to ensure they are able to pay their rent.

Retail Loans (TL Billion)



Increase in savings deposits
VakıfBank expanded its savings deposit product range in line with customer demands and needs, thus recording an increase in the number of retail customers and the volume of deposits. In 2018, the Bank's placements continued to grow steadily in savings deposits, which have become increasingly significant. The Bank's market share in savings deposits rose from 6.59% in 2017 to 7.15% in 2018. VakıfBank increased the number of its savings deposit customers by 13.56% compared to 2017 to reach 13,974,207. During the year, the Bank's TL savings deposits rose 25.56% to TL 54 billion while foreign currency savings deposits grew 51.43% to TL 34 billion. Thanks to various technology upgrades, the Bank channeled customers to digital channels, helping branch employees save time to focus more on marketing activities.

In 2018, the ARI Account, one of the time deposit products, has also become available in USD and EUR currencies. Promotion, advertisement and marketing activities for the new corporate identity of the ARI Account resulted in the creation of a product brand as well as an increase in customer numbers and volume.

Pioneering position in mortgage loans
VakıfBank continued to support the growth of the residential industry with mortgage loan products and services based on market conditions as well as the Bank's customer-oriented banking approach. In 2018, the Bank captured 10.29% market share in mortgage loans thanks to its broad range of product portfolio, flexible payment options customized to each customer, and effective promotional campaigns. Maintaining its sector leadership position, VakıfBank increased its mortgage loan portfolio by 2.07% to TL 19.4 billion, outperforming average sector-wide growth.

VakıfBank's "Yellow Shutter" responds to mortgage loan applications of prospective homeowners via alternative distribution channels. The Yellow Shutter team of mortgage specialists review applications via the www.saripanjur.com.tr website, 5724 SMS channels, online banking and mobile banking. This approach allows customers to complete mortgage loan pre-applications via digital channels quickly and easily.

In 2018, VakıfBank continued to offer mortgage loans to customers who prefer to purchase a home or office from a housing/office project. The Bank reached agreements with leading construction companies in the industry, municipalities, housing cooperatives and urban transformation companies, enabling retail customers to purchase a home/office with the assurance of VakıfBank. The Bank contributed to the real estate sector's development and increased its footprint in office, housing and urban transformation projects. During the year, the Bank made improvements in its housing project loan offers, rendering operational processes more efficient, cutting bureaucracy interactions and reducing stationery costs significantly.

In addition, customers who want to become homeowners with personalized payment options from VakıfBank Yellow Shutter can access contracted housing projects by visiting www.saripanjur.com.tr.

With the "VakıfBank Memorial Forest," created on behalf of customers who will take out Eco-Friendly Residential Loan and

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with the "Yellow Shutter Mortgage" offering, designed to help customers become homeowners...

With its slogan "The Strength On Your Side," the Bank met the financing needs of customers who want to purchase real estate with Yellow Shutter Home Loan products.

where more than 160,000 trees have been planted to date, the Bank is making a greener world for future generations. VakıfBank was presented with the Memorial Forest Plaque by TEMA Foundation for its anti-erosion and forestation efforts. VakıfBank takes part in eco-friendly housing projects and offers loan services to its customers in order to raise environmental awareness under the Yellow Shutter brand name.

As a result of the cooperation with Vakıf Emeklilik ve Hayat A.Ş. and Güneş Sigorta A.Ş., VakıfBank continued to boost insurance coverage penetration by guaranteeing its mortgage loan customers. Committed to being the strength on the side of customers in every area of their needs, the Bank offered a 24-month installment option in credit life insurance premiums to mortgage loan customers.

VakıfBank commissioned the Yellow Shutter Retail Term Deposit in order to develop long-term and multifaceted relations with customers in mortgage loans.

With its slogan "The Strength On Your Side," the Bank continued to meet the financing needs of customers who want to purchase real estate with the Yellow Shutter Residential Loan products. The Bank conducted specific segment-based campaigns for customers in the public sector and upper income groups. To leave a better world for future generations, VakıfBank joined forces with TEMA Foundation (Turkish Foundation for Combating Soil Erosion, Reforestation and Protection of Natural Habitats) to launch an Eco-Friendly Residential Loan campaign. VakıfBank also continued the Yellow Shutter Urban Transformation Credits campaign to transform residential buildings in earthquake-prone areas, helping customers become homeowners with Yellow Shutter advantages.

Bank insurance

In 2018, VakıfBank recorded significant growth in bank insurance as a result of integration and collaboration efforts with its subsidiaries Güneş Sigorta A.Ş. and Vakıf Emeklilik ve Hayat A.Ş., leading companies in the insurance sector. Each VakıfBank branch operates as an agency of Güneş Sigorta and Vakıf Emeklilik and Hayat A.Ş., delivering customer products such as life insurance, non-life insurance and private pensions. Operating with broad range of services such as the fire, agriculture, health, engineering, responsibility, personal accident, life insurance and pension plan segments, VakıfBank developed and released new products to meet customer needs and widen its product range in 2018. During the year, the Bank completed its project to market the insurance products of Güneş Sigorta and Vakıf Emeklilik ve Hayat A.Ş. via alternative channels. The Bancassurance Project to integrate these insurance companies with VakıfBank is also complete and new product integration process is ongoing. VakıfBank continues its works to bolster its pioneering position in the sector.


460 BİN KİŞİ SARIPANJUR'LA EV SAHİBİ OLDU, ŞİMDİ SIRA SİZDE
SarıPanjur'la
Kentsel Dönüşüm Başlıyor.
Afet riski altındaki evinizi yenilemeniz için, uygun faiz oranı ve vade seçenekleriyle SarıPanjur Kentsel Dönüşüm Kredisi yanınızda.
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REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with special products suited to meet customer needs in private banking.

Shaping its growth strategy around potential customer acquisition and customer satisfaction, VakıfBank Private Banking increased its total assets by 45% in 2018.

Private Banking

During the year, VakıfBank Private Banking enlarged its customer base by 57% thanks to effective marketing efforts directed at target customer groups.

VakıfBank Private Banking, which has completed its eighth year, serves customers with total assets above TL 500,000 at specially designed seven Private Banking branch locations: three in Istanbul, and one each in Ankara, Izmir, Bursa and Adana.

Shaping its growth strategies on potential customer acquisition and customer satisfaction, VakıfBank Private Banking increased its total assets by 45% in 2018.

During the year, VakıfBank focused on customer acquisition and customer engagement. The Bank enlarged its Private Banking customer base by 57% thanks to marketing efforts directed at target customer groups.

VakıfBank Private Banking bases its growth on a service approach empowered by a highly skilled employees and mutual trust. Committed to providing the highest quality service to its customers, VakıfBank Private Banking maintains the technical skills, sales and relationship management competencies of its portfolio managers at the highest level, with a planned training program.

Private Banking provides customized financial solutions for high income customers at its branches with Private Banking Portfolio Managers, who are specialized in their respective fields. At service locations specifically designed to maximize customer comfort, Private Banking offers standard banking products in addition to asset management services with specific solutions suited to customers' risk profile and return expectations.

In 2018, VakıfBank Private Credit Card, VakıfBank Private Bankomat Card and VakıfBank Private Banking Yacht Loan were offered to Private Banking customers.

Exclusive services are offered to cardholders with VakıfBank Private Credit Card. These include quadrupling their travel points in purchasing airline tickets, special discounts for international shopping, free lounge service, and 50% discount on safe rentals.

With VakıfBank Private Banking Yacht Loan, yachting enthusiasts can borrow funds to finance their new or pre-owned yacht purchases.

Strategies for 2019

VakıfBank plans to enrich its product range and release new Retail Banking products and services in response to customer needs in 2019. In addition, VakıfBank aims to become an easily accessible bank that provides rapid and impeccable service, and meets

customer demands especially via digital channels. VakıfBank will continue to invest in its technology infrastructure, conduct promotional campaigns that will maximize customer productivity, undertake initiatives geared toward boosting non-interest income, raise the cross-selling ratio by increasing customer loyalty, and maintain its competitive stance in the banking sector.

In the coming year, VakıfBank aims to boost term deposit product range and volume of time deposit accounts opened via digital channels, launch innovative applications in response to customer demands and needs, acquire new deposit customers and retain the existing customer base.

VakıfBank Private Banking has completed the required application process to open its eighth private banking branch in Antalya, adding a new location to its network. In 2019, with its eighth Private Banking branch opening, the Bank aims to increase its assets under management, boost its service delivery capability, increase its market share in this growing business line, and widen its service network.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with innovative services shaping the market...

Cash Management has actively pursued close cooperation with digitalization and financial technology (Fin-Tech) companies as a strategic objective. As a result, VakıfBank has established integration with many electronic money companies.

Cash Management

VakıfBank closely monitors technological advances in cash management and introduces innovative products and services in line with its goal of being the strength on the side of its customers and stakeholders. VakıfBank manages its retail and commercial customer relations with a strategic focus on loyalty and customer focus and produce tailor-made solutions for its customers. As it does every year, in 2019 as well, the Bank aims to expand its customer base further with new products shaping the market and further enrich its partnerships with existing customers.

Performance in 2018

VakıfBank completely upgraded the IT systems infrastructure of the Direct Debit System (DDS), one of the most widespread products in supply chain finance; as a result, DDS has acquired a functional structure that is more responsive to customer needs. Since the Bank's DDS offering is especially important to the commercial and corporate segments, it was actively marketed to these customer groups. In 2018, the Bank recorded a 19% increase in parent company acquisitions and a 14% increase in dealer/customer acquisitions.

VakıfBank's Dealer Collection System (DCS), offered to customers as an alternative supply chain financing product, continued to grow at an accelerating pace in 2018. The number of customers registered in the system jumped 59% while the volume of collections soared 110%.

Gümkart, an award-winning VakıfBank product, continued to be used at an increasing rate among customers who make customs duty payments. In 2018, VakıfBank mediated in the collection of 48% of total customs duties in Turkey. Furthermore, the Bank posted a 46% increase year-on-year in the number of customers who use the Customs Duty Payment by SMS service, offered to VakıfBank customers as an alternative payment method.

In 2018, VakıfBank signed new agreements and upgraded its systems infrastructure as part of corporate collections. The Bank recorded a 5% increase in the number of institutions whose collections are mediated by VakıfBank. Major public sector projects, such as Transportation Card, Zoning Reconciliation and Paid Military Service, were included in the collection system. VakıfBank boosted its market share in Social Security Institution (SGK) and tax collections – two of the most important categories in corporate collections – with year-on-year increases of 30% and 9%, respectively, in terms of volume.

Cash Management has actively pursued close cooperation with digitalization and financial technology (Fin-Tech) companies as a strategic objective. As a result, VakıfBank has established integration with many electronic money companies. Furthermore, with the collaboration between VakıfBank and ComPay Payment, the Bank presented its customers with the opportunity to use online money transfers on 21 e-commerce sites, as an alternative to credit cards.

In 2018, VakıfBank recorded a 37% increase in transaction volume and a 23% increase in transaction numbers in its Bulk Payment System.

VakıfBank Cash Management offers the API (Application Programming Interface) of Bank products in order to provide customers with open and transparent banking service, meet customer needs immediately, and create new business models, services and better user experience.

Customers and financial technology (Fin-Tech) companies can quickly develop and integrate their web services with numerous VakıfBank products, including Bank Account Movements, Receipt Information, Bulk Payment System, Direct Debit System, Dealer Collection System, Tax Payments, E-Invoice and E-Archive. In the near future, VakıfBank customers will also have the opportunity to make customs payments via API.

VakıfBank's Bulk Payment System recorded a 37% increase in transaction volume and a 23% rise in transaction numbers in 2018. The Bulk Payment System reduces the operational workload of the Bank and its customers by facilitating the bookkeeping function of their payments. To help customers meet all their payment needs via the VakıfBank Bulk Payment System, the Bank upgraded the system with new functionality, including foreign currency, foreign currency transfer (Swift), credit card payment and future transactions. In addition, SMS passwords and mobile signatures are used in the Bulk Payment System to render transactions more secure.

To accelerate customer transactions and reduce the Bank's operational workload, VakıfBank gave customers who perform frequent SGK and bill payments the option of executing these transactions as bulk payments.

E-Transformation projects continued to be at the core of the Bank's Cash Management operations in 2018. The number of customers using the E-Invoice Special Integrator service and the E-Ledger service rose 19% and 15% year-on-year, respectively. In addition to the E-Invoice and E-Ledger services, the Bank started to deliver E-Archive solutions to customers in 2018, taking another major step toward being the leading bank in e-solutions.

In the commercial and corporate segments, VakıfBank started actively using web service products such as Check Integration System, Bulk Payment System, MT940 and Online Accounts Movements. During the year, these services were upgraded in consideration of customers' needs and technological requirements and revamped to respond to all needs. VakıfBank aims to become the main bank of its customers with products that bolster customer loyalty.

Outlook for 2019

VakıfBank plans to continue developing all its Cash Management products in response to competitive market conditions and customer needs. The Bank views product quality and customer satisfaction as its number one priority. In 2019, VakıfBank aims to expand its customer base while further strengthening its relationships with existing customers by developing new products in line with customer needs and advances in technology.

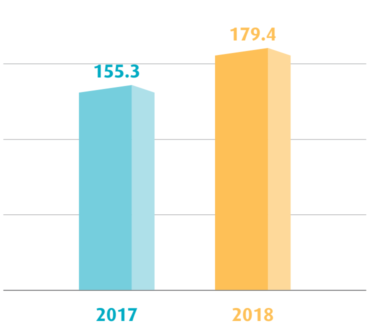
REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with financial solutions that address customer needs...

With its customer-oriented services and newly upgraded technological infrastructure, VakıfBank increased its deposits, the most important funding source of the Turkish banking sector, to TL 179.4 billion in 2018, up 15.5% year-on-year.

Total Deposits (TL Billion)



Treasury Management

Even as normalization of monetary policy continued in developed economies in 2018, financial market volatility increased due to rising protectionist tendencies in international trade. Risk premiums rose in emerging markets that triggered net portfolio outflows and currency depreciation. While a limited slowdown was observed in global growth during the year, high levels of indebtedness worldwide and economic policy uncertainties persisted in the last quarter of the year. In addition, geopolitical developments and country specific risks occupied financial markets as important risk factors throughout the year.

In the US, the protectionist tendencies in foreign trade that had started in the first months of the year persisted throughout 2018. Furthermore, official government remarks concerning the Federal Reserve Bank raised questions regarding the predictability of the country's economic policies. The Fed continued to decrease its balance sheet and hiked interest rates four times during the year. As for Europe, although the election season is over, the UK's exit from the EU, concerns about Italy's high public debt, and protests in France in the last quarter of the year resulted in political uncertainty across the region.

Against this backdrop, the European Central Bank (ECB) maintained its monetary policy stance and did not change its forward guidance. Economic activity in China lost momentum due to the commercial restrictions imposed on the country. Meanwhile, portfolio outflows from bond and stock markets continued in emerging market countries. During the year, in financially and macroeconomically fragile countries such as Argentina, Brazil, South Africa and Turkey, portfolio movements were generally negative.

On the domestic front, while the CBRT's tight monetary policy stance was maintained in the first quarter of 2018, moderate tightening was introduced in April to uphold price stability. In May, in response to the unsound pricing behavior and a worsening inflationary outlook in the markets, the CBRT stepped up its tight monetary policy stance. In addition, the CBRT completed the simplification process within the monetary policy operational framework; as a result, the one-week repo rate became its policy rate. All CBRT funding started to be delivered by weekly repo auctions. In early August, the financial markets displayed pricing behavior that did not correspond to economic realities and the Turkish lira started to depreciate rapidly. To ensure the smooth functioning of the markets, the CBRT took a number of financial stability measures in support of the Turkish lira and foreign currency liquidity management. The Ministry of Treasury and Finance implemented several stabilizing measures simultaneously with the CBRT. The cost-side pressures triggered by high volatility in financial markets had a negative impact on the inflation outlook. The CBRT responded by instituting strong monetary tightening in September in order to support price stability. The one-week repo auction rate was raised from 17.75% to 24% and the entire funding again started to be delivered by weekly repo auctions. For the remainder of the year, the tight monetary policy stance remained unchanged. The steps taken by the CBRT were effective in dissipating the panic observed in financial markets from the previous quarter. As a result, pricing behavior in the markets became healthier.

In third quarter, the contribution of domestic demand to annual GDP growth declined, while net export contribution increased. Despite the weak outlook in domestic demand, the deterioration in pricing behavior and the cumulative depreciation of the Turkish lira resulted in an increase in inflation. The slowdown in economic activity started to have a negative impact on employment figures. On the other hand, net exports positively contributed to growth while tourism experienced a strong rebound, key factors that limited the negative impact of weak domestic demand on economic activity. The current account deficit showed significant improvement especially in the second half of the year. While loan growth continued to slow, the interest rate differential between loans and deposits started to narrow in the fourth quarter. In the last months of the year, signs of economic stabilization became more evident.

Flexible Liquidity Management

In liquidity management, the Bank has adopted a flexible and dynamic structure upholding the principles of profitability and prudence.

In 2018, VakıfBank pursued a flexible and dynamic approach to liquidity management by monitoring the monetary policy decisions of CBRT and other central banks, market interest rates, inflation expectations, domestic and international markets, and by evaluating pricing behavior. To derive maximum benefit from the cost advantage in liquidity management, the Bank adopted an approach of effectively capitalizing on alternative markets and CBRT's and other central banks' monetary policies.

In 2019, the monetary policies of CBRT and other central banks, international developments and interest rate expectations will determine VakıfBank's liquidity management strategy. Long-term Turkish lira and foreign currency borrowing transactions via swap transactions in international markets will continue in due consideration of prevailing market conditions.

Dynamic Securities Portfolio

VakıfBank aims to create a dynamic structure in portfolio management. The Bank's dynamic securities portfolio management structure assesses domestic market conditions, international developments, and pricing behaviors. In consideration of the Bank's budget targets and current market conditions, the structure of the securities portfolio is shaped according to interest rate, maturity and category.

In 2019, the Bank plans to maintain the existing dynamic structure and formulate a balanced approach to boost the Bank's commercial profit in capital market trading and foreign exchange transactions, based on effective risk management principles.

VakıfBank's total deposits increased to TL 179.4 billion in 2018.

In 2018, VakıfBank continued to gain the trust of its customers with its customer-oriented services and upgraded technology infrastructure. VakıfBank increased its deposits, the most important funding source of the Turkish banking sector, to TL 179.4 billion, up 15.5% year-on-year. In 2018, VakıfBank's total deposits amounted to TL 109.6 billion in Turkish lira and TL 69.8 billion in foreign currencies.

Aiming to extend its deposits across a wider base while reducing costs and to boost customer satisfaction, VakıfBank increased its total deposits by 34.4% year-on-year to TL 87.8 billion in 2018. Savings deposits in TL was up by 25.6% to TL 53.9 billion, while foreign currency savings deposits grew 51.4% to TL 34 billion. Savings deposits accounted for 49% of total deposits in 2018, up from 42.1% in 2017.

VakıfBank's growth in demand deposits outpaced the sector average thanks to its product diversification. As of the end of 2018, total demand deposits increased 19.8% compared to the end of 2017 to TL 36.1 billion. Demand deposits accounted for 20.1% of total deposits in 2018. Demand deposits also remained a factor reducing the Bank's cost of funding during the year.

Financial solutions that address the needs of the customers have been implemented quickly.

With its expert employees and robust systems infrastructure, VakıfBank maintained its competitive price structure across all its products, in line with developments and expectations in financial markets. As a result, the Bank quickly delivered financial solutions to meet the needs of customers. The Bank is one of the industry pioneers with the innovative products it offers corporate and commercial segment customers against exchange rate and interest rate risk.

VakıfBank launched VAKIF FX-Foreign Exchange Trading Platform to allow customers in the commercial segment to undertake spot foreign exchange transactions more efficiently. The proprietary trading platform is built on high quality service provision and rapid solution formulation methods.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
to invest customer savings in the most efficient way.

In 2018, VakıfBank enabled customers to open investment accounts via mobile banking as well as internet banking in order to ensure swift and practical access to capital markets.

17%

Debt Instrument Market Share

Investment Products and Services

Capitalizing on its leadership position in the banking sector, VakıfBank is committed to being the "Strength on the Side of Investors" in capital markets as well. The Bank's investment products and services ensure the best possible returns for investors' savings. VakıfBank remains the business partner of choice of customers in money and capital markets thanks to its customized solutions and competency in advanced technology as well as the Bank's specialized service approaches and product models for each customer segment.

Brokerage Services for Capital Markets Instruments

VakıfBank offers customers a wide array of investment alternatives to deposits, including equities, futures and options, mutual funds, government bills, treasury bonds, private sector debt instruments, bank financing bonds, bills, structured debt instruments and gold. With its customer-oriented approach and customer satisfaction-based service philosophy, the Bank closely monitors market developments and offers new products and services to customers through alternative channels.

VakıfBank's market share in Borsa Istanbul's Stock Market and Derivatives Market (VİOP) transactions continued to ascend in 2018. During the year, VakıfBank recorded over 60 thousand active customers thanks to the collaboration with Bank subsidiary Vakıf Yatırım Menkul Değerler A.Ş. and improvements to order transmission channels.

Revamped in line with customer expectations and needs, the Bank's TradeOnline Platform continued to serve customers in 2018. In addition to receiving real-time stock price data, customers can also monitor 10 VİOP and Index data of their choosing free-of-charge in the mobile application. To help investors monitor the markets and execute transactions, VakıfBank upgraded various features of its TradeOnline mobile application. VakıfBank will continue to give customers the opportunity to track a wide range of data free-of-charge and remain the strength on the side of investors in the coming year.

In 2018, VakıfBank enabled customers to open investment accounts via mobile banking as well as internet banking in order to ensure swift and practical access to capital markets. Customers who open investment accounts can immediately start trading once they enable stock and VİOP transactions on their accounts. Having adopted Digital Banking as a strategic priority, VakıfBank has given its customers the opportunity to access capital markets after completing the application process online within a few minutes, without having to visit a branch.

All securities transactions other than equities and VİOP derivatives can be performed through any of the Bank's branches, private banking branches, ATMs, mobile banking, internet banking and call center. Equity and derivative transactions can be placed through the branches of Vakıf Yatırım Menkul Değerler A.Ş., private banking branches, mobile banking, internet banking, call center and VakıfBank Trade Online transaction platform.

Bank Financing Bonds, Bills, Structured Debt Instrument, and Debt Instrument Included in Additional Tier 1 Capital

To diversify funding sources, reduce interest rate risk, enhance liquidity management, and extend resource maturity, VakıfBank issued 60 bonds and five structured debt instruments with nominal value of TL 15.3 billion in total in 2018. As a result, the Bank recorded a market share of 17% in bond issues in the sector.

The Bank also issued bonds amounting TL 5 billion which will be included as additional Tier 1 Capital. This fixed interest rate bond does not have a maturity period, can be early redeemed at the end of five years, and pays interest twice during each year. The issuance not only provided long-term funding for the Bank, but also had a positive effect on the statutory ratios since it qualifies as additional capital.

In the following period, VakıfBank bonds will continue to be presented to corporate and retail investors and offered as an alternative investment instrument.

Mutual Funds

As part of mutual fund participation share trading and marketing activities, the Bank provides brokerage service for money market funds and the short-term debt instruments fund founded by Vakıf Portföy. Brokerage services are delivered via branch locations in addition to alternative distribution channels, such as internet banking, telephone banking, ATMs and mobile banking.

Managed by portfolio specialists pursuing strategies customized to meet the specific needs of customers, Vakıf Portföy mutual funds captured a 5.24% market share and reported TL 1.7 billion in total assets under management (AUM) as of year-end 2018.

Investors can access all investment funds on the TEFAS Platform (Turkey Electronic Funds Trading Platform) via branch locations, telephone banking, internet banking, and mobile banking.

Gold Banking and Gold Days

Being one of the first banks to launch gold banking, VakıfBank provides gold banking service to customers at branch locations as well as via alternative channels, by 30 years of experience in this segment.

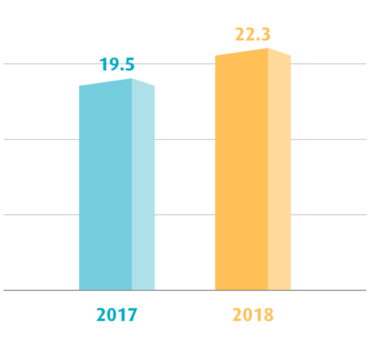
Besides giving customers the opportunity to buy and sell gold, VakıfBank organized Gold Days at 592 branches in 2018. The Bank provided customers with personal expert service at many branch locations. During VakıfBank Gold Days, Cumhuriyet gold coins in halves and quarters as well as all-carat gold jewelry, including bracelets, rings, and necklaces, are assessed by gold experts. Corresponding amounts are deposited into customers' Golden Era Accounts in grams of gold.

In 2018, VakıfBank started to broker the Gold Bond and Gold-Based Lease Certificate issues by the Ministry of Treasury and Finance.

Activities of the Depositary and Fund Service Department

VakıfBank conducts all depositary services as defined in Capital Markets Board regulations. The Bank offers general depositary and portfolio depositary services to both corporate customers and collective investment undertakings. The Bank also provides fund service department activities for collective investment activity.

Securities Issued (TL Billion)



REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with its technological competence and specialized employees in treasury management.

VakıfBank has systematized the processes for controlling, monitoring and reporting treasury transactions.

Treasury Management Middle Office Operations

VakıfBank's Treasury Management Middle Office Department is responsible for organizing and managing Treasury systems, controlling the compliance of all Treasury limits and transactions with market prices within the limits set by the Board of Directors. The Department conduct system entry controls of Treasury transactions, their secondary approvals, end-of-day assessments of Treasury transactions, senior management reports and analyses on collateral management and Treasury transactions. The Department also ensures the efficiency and productivity of the systemic controls in these areas.

The activity reports submitted to the Audit Committee in six monthly periods provide information to committee members about the results of the controls on treasury transactions and the actions taken.

The Treasury Control and Reporting Module is designed to provide a Middle Office Management infrastructure and integration with other treasury systems. The Bank completed and fully operationalized this module at the end of 2018.

Technology used in real time monitoring and reporting of Treasury activities

VakıfBank has systematized the controlling, monitoring and reporting processes for Treasury transactions. The Bank established a world class technical control, warning and reporting infrastructure in accordance with auditing standards and internal systems.

The Treasury Department's Bank Limit Monitoring System (KGR) enables monitoring of compliance with the limits for the banks that the Manager of Treasury is authorized by the Board of Directors to deal with. Under the system, the limits determined as "Credit Limits" and "Reconciliation Limits" are monitored on a real-time basis. Treasury users are provided with the option to learn the limits before making any transaction with the banks. Furthermore, as part of Collateral Management, the daily values according to market prices of the derivative collaterals at the banks are calculated over the Treasury Control and Reporting Module. Depending on their results, the collaterals sent to counterparty banks are added to the limits of the relevant banks as risk through the Treasury Department Bank Limit Monitoring System. Warning signals have been developed within the system in order not to exceed the limits. When necessary, system reports on (Warning Report before Exceeding Limits and Report on Exceeded Limits) are shared instantly with users. Collateralization of daily derivatives for customer transactions is conducted over the VIT system.

Middle Office management conducts all monitoring and reporting process via The Treasury Control and Reporting Module which includes four modules;

- Treasury Valuation Function – reports the daily values of treasury portfolios according to market prices,

The Treasury Control and Reporting Module is designed to provide a Middle Office Management infrastructure and integration with other treasury systems in use. The Bank completed and fully operationalized this module at the end of 2018.

- Limit Management System Module – monitors compliance with the Board of Directors' limit decisions,
- Market Control Module – checks whether transaction prices differ from market prices,
- Treasury Profit/Loss Module – reports the daily, monthly and yearly funded profit/loss ratios of transactions.

The Kondor Upgrade Project was initiated to install at the Bank the latest version of the Treasury software "Kondor (K+), Kondor Global Risk, K+TP" system, which is used for the entry, approval, registration and bookkeeping of Treasury transactions. The plan is to complete and commission the system before the end of 2019.

In addition, in necessary situations required actions is taken after the results of efforts for monitoring and controlling the foreign exchange position and the position limits for Treasury transactions are discussed by the Treasury Foreign Exchange Position and Stop-Loss Limits Management Committee and Exchange Rate Committee.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with its increasingly diversified funding structure...

VakıfBank has completed the highest Eurobond issue in the history of the Bank, amounting USD 650 million, under the Global Medium-Term Note Program (GMTN). The order book of transaction exceeded USD 1.5 billion thanks to more than 150 investors from all over the world.

Structured Finance

VakıfBank proceed to diversify its funding structure by obtaining new funding sources in different currencies and maturities while expanding its investor base with structured finance products in which VakıfBank is pioneer.

In 2018, when concerns about emerging markets were on the rise, VakıfBank successfully roll overed its syndicated loan by 110%. VakıfBank also became the most active and effective Turkish bank in tapping into other international funding sources. VakıfBank remained the strength on the national economy with various long-term and cost-effective funding sources it provided, including Eurobonds, Covered Bonds, private placement, transactions carried out under the securitization program, post-financing, and loans from multinational lending institutions. These transactions, realized despite challenging global market conditions, once again confirmed the reputation and credibility of our country and VakıfBank in the eyes of international investors.

The Turkish bank most actively using the Covered Bond Program

VakıfBank remains committed to tapping alternative financing facilities in international debt capital markets. Accordingly, VakıfBank completed its operational works for Covered Bond issuance which have been in use for many years in developed markets such as Europe as a funding instrument after Covered Bonds have been allowed in Turkey with the Capital Markets Board's Communique on the Principles Governing Covered Bonds issued in 2007. Then, the Bank established its Residential Mortgage Covered Bond Issuance Program, amounting to EUR 3 billion, on July 29, 2015. As part of the program, VakıfBank issued Turkey's first ever benchmark Euro-denominated mortgage covered bond issuance amounting to EUR 500 million with 5-year maturity on May 4, 2016. The order book for the transaction exceeded EUR 3.2 billion from almost 300 investors; as a result, pricing of deal realized at MS+250, 30 basis points below the initial price of target price of MS+280. The yield and the coupon rate of the issuance were set at 2.578% and 2.375%, respectively. This coupon rate is the lowest among all issuances in Turkey, including those of the Ministry of Treasury and Finance.

In October 2017, under its Covered Bond Program, the Bank issued a covered bond amounting TL 1.3 billion based on treasury transactions a 5.5-year. The issuance through private placement was also Turkey's first TL denominated covered bond transaction apart from those made with multinational development banks.

After this successful transaction, VakıfBank issued a 5-year covered bond amounting TL 1.3 billion based on treasury transactions, with HSBC Bank PLC as the investor, in December 2017. Together with the TL 1.3 issue of October 2017, the Bank's total issuances under its Covered Bond Program in 2017 exceeded TL 2.6 billion.

After raising over TL 2.6 billion in two separate bond issuances based on treasury transactions and intermediated by international banking institutions in October and December 2017, the Bank continued to conduct covered bond issuances in 2018. In two separate transactions in February and December 2018, the Bank successfully completed issuances amounting TL 2 billion. Thus, VakıfBank became the most active Turkish bank in covered bond issuances with a total amount of approximately TL 7.7 billion as of 2016. VakıfBank continued its support to Turkey's economy and being the strength on the real economy with its solid and liquid balance-sheet structure by extending the average maturity of TL funding through non-deposit sources.

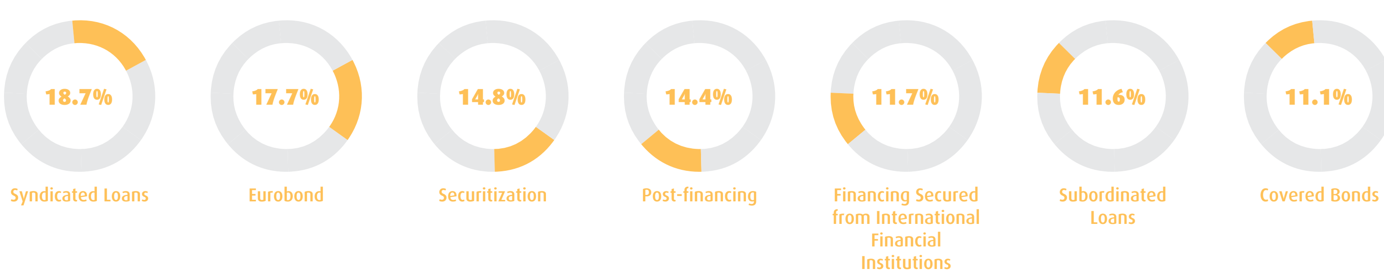
In 2018, VakıfBank continued to issue covered bonds and became the most active Turkish bank in this area with five issues under the Covered Bond Program.

Global Medium-Term Note Programme (GMTN)

Establishing Turkey's first ever Global Medium-Term Note Programme (GMTN) in 2013, VakıfBank issued the first ever Euro-denominated Eurobond in Turkey, apart from the Ministry of Treasury and Finance, in 2014. The Bank also issued Turkey's first Basel III-compliant Tier II subordinated notes in international debt capital markets in 2015 and issued a bond amounting USD 650 million with a maturity of five years on January 30, 2018 under the GMTN program. A key aspect of this last transaction is that it was the highest ever issuance in the Bank's history in a single transaction. Considering that VakıfBank has played a pioneering and innovative role among Turkish banks in this area by issuing long-term bonds in different structures and currencies to address different groups of investors in international capital markets since 2012, This latest issue was yet another demonstration of the strength of the VakıfBank brand, reputation and perception in the eyes of international bond investors. Even as worries concerning Turkish banks mounted, the robust and high-quality demand from over 150 investors from all over the world – especially from US-based portfolio managers with long-term investment horizon – played an important role in the success of the deal. Thanks to strong demand for the deal, the issue volume, which was first set at USD 500 million, was later increased to USD 650 million, and the coupon rate came in at 5.75%, 25 basis points below the initial level.

Securitization Loan in Seven Separate Tranches

In addition to executing the largest Eurobond issuance and syndicated loan deals in the Bank's history in 2018, VakıfBank secured USD 380 million in financing, denominated in US dollars and EUR, with a maturity of five years in six separate tranches in May, as part of its diversified payment rights (DPR) program based on foreign cash transfer flows with which VakıfBank provides long-term and cost-effective funding since 2001. Following successful completion of this transaction, a USD 300 million securitization deal with a maturity of 10 years was carried out in October. Thus, even as concerns about emerging markets grew and portfolio inflows lost momentum, the total amount of long-term and cost-effective issuances in the Bank has reached USD 680 million, including the transactions in May, under its securitization program based on transfer flows. The transactions were entitled an investment grade "BBB-" by the credit rating agency Fitch. Since 2001, the total funding under the program reached amount of USD 5.3 billion. As of December 31, 2018, the Bank's total securitization loan balance is USD 1,491 million and EUR 319 million.



REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with long term, affordable loan support to the real economy...

In 2018, VakıfBank became one of the banks that provide the most international funding source to Turkey by using international funding actively and effectively.

Syndicated Loans

In April 2018, VakıfBank signed a syndicated loan agreement with the participation of 35 banks, amounting to USD 1,272 million in total. The deal consisted of three tranches amounting USD 229 million and EUR 778.75 million with a one-year maturity, and USD 100 million with a two-year maturity. As a result, following the biggest Eurobond issuance in its history conducted in January amounting a total of USD 650 million, the Bank also realized its largest ever syndicated loan deal. Designed to finance foreign trade, the all-in cost of the loan is Libor + 1.30% for USD and Euribor + 1.20% for EUR in the one-year tranche, and Libor + 2.10% for the two-year tranche. Although, the interest rate of the loan decreased 0.15% over the previous year, the roll over ratio came in at 120% with the participation of seven new banks.

In the second half of 2018, with the participation of 20 banks from 12 countries, VakıfBank signed a syndicated loan deal consisting of three tranches, amounting to USD 122 million and EUR 528.5 million in one-year tranche, and amounting USD 130 million two-year tranche – totaling USD 855 million. The all-in cost of the loan is Libor + 2.75% for USD and Euribor + 2.65% for EUR in the one-year tranches, and Libor + 3.10% for the two-year tranche. As such, the roll over ratio of this transaction which is for the use of foreign trade financing was realized at 100%. With the first transaction of the year in April, the Bank's total syndicated loan balance climbed to USD 2.1 billion, with a roll over ratio of 110% for fiscal year 2018.

Turkey's First Additional Tier 1 Issuance in the Form of Bonds

On September 27, 2018, VakıfBank issued bonds to be included in Additional Tier 1 calculations, amounting TL 4.99 billion. The transaction is the first Tier-I issuance performed in Turkey outside of participation banks, being a perpetual bond with a fixed coupon payment. This bond issuance contributed 200 basis points to the AT-1 and capital adequacy ratios.

Supporting the Real Economy via Mutual Agreements

Under the Revolving Credit Agreement (RCA) signed with EBRD to support the import and export transactions of customers, the Bank procured loans amounting a total of EUR 22.5 million at different maturities in 2018.

To finance import transactions of customers from Taiwan, the Bank provided a USD 6.6 million loan from Taiwan EXIM Bank with a maturity of up to five years.

Loans Obtained from International Financial Institutions

VakıfBank continues to collaborate with European Investment Bank (EIB), World Bank, European Bank for Reconstruction and Development (EBRD), German Development Bank (KfW) and French Development Agency (AFD) to provide long-term and cost-effective funding to the real economy.

Activities with European Investment Bank (EIB)

European Investment Bank (EIB) allocated a EUR 200 million facility to VakıfBank in 2013 to be extended to Turkish municipalities and their subsidiary companies. VakıfBank and EIB signed the Municipal Infrastructure Projects Financing Loan Agreement for a EUR 100 million tranche of this facility on December 19, 2013 under the guarantee of the TR Ministry of Treasury and Finance. Pursuant to the agreement signed between the Bank, EIB and the TR Ministry of Treasury and Finance on November 26, 2015, this 12-year facility with a three-year grace period was converted to an SME Financing loan. After

In 2018, VakıfBank secured syndicated loans amounting USD 2.1 billion, at a 110% roll over ratio.

the conversion, this EUR 100 million was allocated in a short period of time. VakıfBank signed an additional SME-B Loan Agreement on May 6, 2016 for the second EUR 100 million tranche of the EUR 200 million facility obtained in 2013. The first tranche of the loan amounting EUR 50 million was transferred to the Bank's accounts on October 14, 2016 and fully disbursed by November 2016. The last tranche of the loan amounting EUR 50 million arrived in the Bank's accounts on December 22, 2016. Allocations from this 12-year facility with a four-year grace period ended in March 2018.

As a result of its ongoing success in projects targeting SMEs and mid-cap businesses, EIB allocated a new fund of EUR 100 million to the Bank under the name VakıfBank Loan III for SMEs and Midcaps. The agreement for the loan secured with guarantee from the TR Ministry of Treasury and Finance was signed on December 16, 2016. This 8-year facility with a 3-year grace period was transferred to the Bank's accounts on March 9, 2017. Loan allocations under the facility were completed by March 2018.

Collaborations with World Bank

In 2013, World Bank extended USD 201 million to three public banks – VakıfBank, Ziraat Bankası, and Halk Bankası – as part of the SME Energy Efficiency Project, under the guarantee of the TR Ministry of Treasury and Finance. As of 2018 year-end, the Bank received USD 62 million of this facility, which amounts to a total of USD 67 million, and has a maturity of 30 years and a 5.5-year grace period. Loan allocations under this facility have accelerated over time, especially since 2017; VakıfBank has allocated USD 59 million of this facility in 2018. In 2017, VakıfBank became the first bank to allocate the Performance Guaranteed Transaction Agreements (ESCO), an important component of this project. Under the project, a total of USD 12.7 million has been allocated to SMEs via leasing companies since 2017.

Collaborations with French Development Agency (AFD)

A credit facility agreement amounting EUR 80 million was signed on November 20, 2017 between French Development Agency (AFD) and VakıfBank aiming to support rural development and agricultural sectors in Turkey. The agreement targeted financing to micro-, small- and medium-sized enterprises, cooperatives, producer unions as well as farmers engaged in these sectors. The facility allocated to VakıfBank has a three-year grace period for principal repayment, and a final maturity of 12 years. The technical assistance component of this facility supports VakıfBank's environmental risk and social risk management while increasing its capacity in agricultural and rural financing. The first tranche of the facility, EUR 40 million, was transferred to the Bank's account on December 19, 2017; loan allocations were completed in just three months. The second tranche of the loan, amounting to EUR 40 million, was transferred to the Bank's account on June 11, 2018; loan allocations are ongoing.

Three Award Nominations for Covered Bond and Eurobond Deals

For Turkey's first and only foreign currency Covered Bond Programme completed in 2016, amounting EUR 500 million, the Bank has awarded with five awards from prestigious and reputable institutions of capital markets around the world. At the Bonds & Loans 2019 awards, one of the most prestigious award of the financial sector, VakıfBank was nominated for Bond-Issuance Deal of the Year and Best Financial Institution – Financing Deal of the Year' awards for its five-year USD 650 million bond issue on January 30, 2018, realized under the Bank's GMTN program. Furthermore, as part of the Covered Bond Programme, VakıfBank was nominated for the Best Structured Financing Deal of the Year award for its covered bond issue based on treasury transactions dated October 9, 2017, where Credit Suisse was the investor.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side internationally with its strong correspondent network...

VakıfBank successfully hosted the first EMTA Forum held in Turkey as the main sponsor of the event. A total of 175 investment institutions are members of EMTA– Emerging Markets Trade Association.

International Relations and Correspondent Banks

CORRESPONDENT BANKS

VakıfBank's robust correspondent bank network is comprised of 1,436 banks and financial institutions in 126 countries across the world. The network is managed in line with the principles of mutual trust, collaboration, and transparency by a dynamic team specialized in relationship management and committed to rapid delivery of alternative solutions for their customers. The Bank's correspondent network grows every day with the creation of new connections. Following agreements signed with EBRD and the International Finance Corporation (IFC) to develop foreign trade, VakıfBank acts as an intermediary for export letters of credit and guarantees from the banks supported in the program under the guarantee of these institutions. Thanks to its extensive network of correspondent banks as well as its lines of credit, VakıfBank provides significant funding support for foreign trade transactions and remains one of the most preferred banks in this key segment.

VakıfBank's International Organization

VakıfBank International AG

VakıfBank International AG, headquartered in Vienna, was established in 1999 in line with VakıfBank's plans to expand abroad and conduct international banking operations. The Bank has branch locations in Vienna, Frankfurt and Cologne.

New York Branch

The New York Branch, which was established with the mission of better exploiting opportunities in international financial markets and provide more comprehensive solutions to customers in foreign trade, has served since 1995.

Bahrain Branch

The Bahrain Branch was established in 2005 to finance foreign trade transactions, which continue to expand due to the soaring business volume between Turkey and the Gulf region, and to fund projects planned in this region.

Arbil Branch

Pioneering the banking sector once again, VakıfBank figured among the first Turkish banks to open a branch in Northern Iraq. The Bank aims to actively foster commercial and economic collaboration between Turkey and Iraq and to support Turkish entrepreneurs who make investments in the region. The Arbil Branch commenced operation in February 2011.

INVESTOR RELATIONS

During 2018, VakıfBank regularly supported its investor relations function and provided information regarding its corporate affairs and operations to investors and brokerage companies. During 2018, VakıfBank uninterruptedly continued to leverage its relations with investors or brokerage companies and provide information to them.

During fiscal year 2018, the Investor Relations Department:

Effective communication with investors

Responded to approximately 1,000 information requests submitted by shareholders. Conducted more than 280 meetings at the Bank's Istanbul offices and met around 400 investors/analysts. Attended 18 domestic and international investor conferences; held face-to-face

During 2018, VakıfBank uninterruptedly continued to leverage its relations with investors or brokerage companies and provide information to them.

meetings with more than 380 foreign and local institutional investors. Following these investor conferences, reports were drafted in line with the feedback obtained from investors and presented to the Bank's top management. Established close contact with all analysts who prepared reports about VakıfBank, provided accurate information during the drafting of these reports, and offered feedback regarding those.

Interactive financial presentations

Detailed presentations were prepared to announce the results of the financial statements. Financials for the relevant period were presented in detail to analysts and bond investors via four webcast teleconferences. The records of the teleconferences were made accessible on our English website.

Relations with credit rating agencies

Pursuant to the agreement signed at the end of 2017 between JCR Eurasia Rating Inc. and VakıfBank, work began on credit rating reviews. VakıfBank's rating was designated as 'Investment Grade' as a result of the first evaluation conducted by the JCR Eurasia. Regular annual evaluation meetings were held with Fitch, Moody's, S&P and JCR, where the Bank provided detailed answers to question sets related to its financial performance and strategies.

General Assembly meetings

The Ordinary General Assembly Meeting held in 2018 was conducted within the scope and compliance with the Banking Law, Capital Markets Law, Corporate Governance Communiqué, VakıfBank's Articles of Incorporation and other applicable legislations. All VakıfBank shareholders were invited to the meeting, which registered a quorum of 88.73%. Shareholders had the opportunity to participate in the General Assembly meeting in person or online, made suggestions, expressed their opinions and cast their votes.

Drafting of the Corporate Governance Compliance Report

VakıfBank issued its Corporate Governance Compliance Report, which, pursuant to CMB's Corporate Governance Communique, must be published by every listed company to demonstrate whether corporate governance principles are complied with, explain the reasons for any non-compliance, and identify any conflicts of interest arising from such non-compliance. The report was submitted to stakeholders via the VakıfBank corporate website in both Turkish and English.

Hosting the EMTA Forum

In September, VakıfBank successfully hosted the first EMTA Forum held in Turkey as the main sponsor of the event. A total of 175 investment institutions are members of EMTA – Emerging Markets Trade Association. In addition to EMTA members, representatives of foreign banks and senior executives of investment companies in Istanbul also showed great interest to the conference. This was the first EMTA conference held in Turkey. This efficient event also helped improve Turkey's image and reputation across international markets.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with its sustainable banking approach...

VakıfBank continues to improve its performance on the BIST Sustainability Index and FTSE4Good Emerging Markets Index.

Sustainability

Sustainability Working Group

VakıfBank is committed to creating a more viable world for future generations with its sustainable banking efforts. Reporting to the Corporate Governance Committee, the VakıfBank Sustainability Working Group conducts its activities with success under the International Banking and Investor Relations Department.

Continuity in International Sustainability Indices

Being listed in the BIST Sustainability Index since its foundation in 2014, VakıfBank continues to improve its performance and succeed to be included again in the Index in 2018. VakıfBank responded to question sets sent by EIRIS (Ethical Investment Research Services Limited), which audits the companies included in the BIST Sustainability Index, in order to evaluate the position of the Bank in the index. As a result of the evaluation conducted by FTSE Russell, VakıfBank maintained its position on the FTSE4Good Emerging Markets Index, which is watched by responsible investors, and demonstrated its ongoing success in the international arena.

Sustainability reporting

The third edition of VakıfBank's Sustainability Report, which is published annually since 2016 in line with Global Reporting Initiative standards and covers the areas of environmental, social and corporate governance, was issued during the year. Study has been started towards drafting the fourth Sustainability Report to be published in 2019 for the activities of fiscal year 2018. Further, in 2018, the Bank maintained its performance score of 'B' (Administrative) obtained in 2017 in the CDP climate change program, which includes disclosures such as climate change strategy, governance, risk management and carbon emissions.

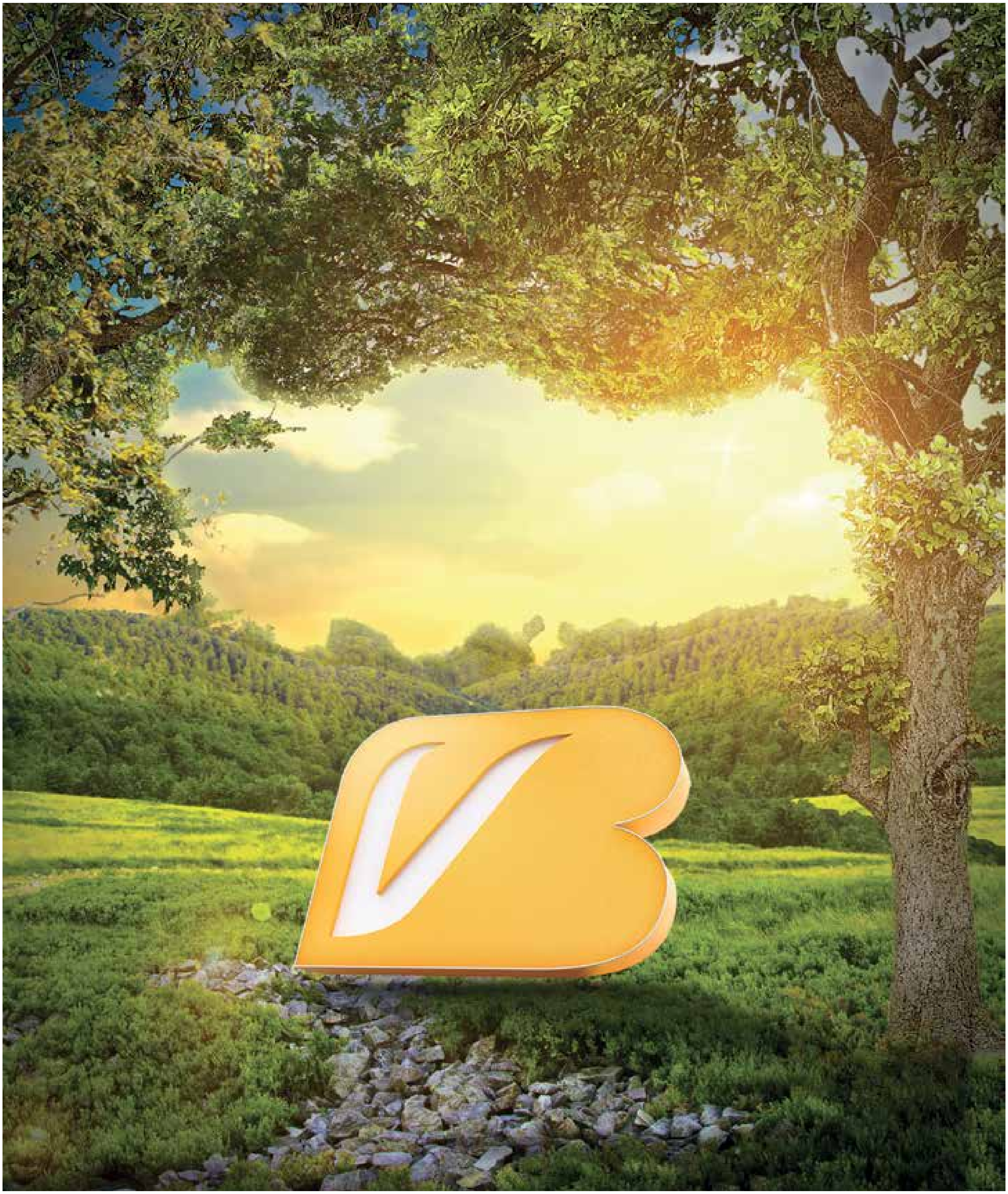
ISO 9001 and 14001 Quality and Environmental Management System Certificates

As part of VakıfBank's customer- and environment-centered growth strategy, ISO 9001 and 14001 Quality and Environmental Management Systems were established. First, the banking processes of the Head Office Departments and all branches were aligned with the ISO 9001 Quality Management System and were certified with ''ISO 9001 Quality Management System''.

Embracing the slogan "Sustainable development is only possible in a sustainable environment," VakıfBank has obtained ISO 14001 Environmental Management System certification. Thus, the Bank documented that it minimizes the direct impact of its banking activities on the environment, in line with international standards. As of year-end 2018, 250 more branch locations were included in the scope of certification. In the medium term, the Bank aims to ensure that all VakıfBank employees work in ISO 14001-certified buildings.

VakıfBank has also received an OHSAS 18001 Occupational Health and Safety Management System certification for its human resources activities. Thus, the Bank has built a comprehensive system for ensuring health and safety in the workplace, demonstrating the immense value it attaches to its employees.

ISO 9001 Quality Management, ISO 14001 Environmental Management Systems and OHSAS 18001 Occupational Health and Safety Management System certifications have contributed to VakıfBank's success on the BIST Sustainability Index and FTSE4Good Emerging Markets Index.



REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
with services that make your life more comfortable...

VakıfBank released "Mobile Contactless Payment," acknowledged as the payment method of the future in the shopping ecosystem.

Payment Systems

Ranked third in the sector-wide in credit card turnover growth in 2018

VakıfBank recorded total credit card turnover of TL 47.3 billion in 2018, up by 27% year-on-year, well outperforming the sector average of 17.82%. As a result, VakıfBank was the third best performing bank in terms of credit card turnover growth. The Bank's credit card transactions increased 16.76% to 290,405,219 for the year. The number of cards issued is up by 637,131 to 4,654,500. The Bank posted a growth rate in card numbers of 15.86%, the third best performance industry-wide. The Bank's total credit card balance rose 26.39% year-on-year to TL 9,094,590 thousand.

New services and developments in credit cards

VakıfBank continued to offer personalized and general campaigns with its campaign tracking application "Cepte Kazan."

This easy-to-use campaign tracking application is designed to increase credit card shopping volume, enlarge the number of credit card and mobile banking users, enhance customer loyalty and satisfaction with Bank products. "Cepte Kazan" is integrated with the interface of the mobile banking application, enabling the sending of push notifications and yielding increases in campaign participation, usage, customer acquisition and efficiency.

"Cepte Kazan" is designed to enable VakıfBank customers to:

- Easily track general or personalized promotional campaigns, or campaigns customized for their cards,
- Participate in the promotional campaigns,
- Monitor their spending on the campaigns they join,
- Monitor target spending volume and items in the campaigns they have joined,
- Obtain information on points/discount downloads and keep track of the relevant dates.

Mobile Contactless Payment Project

VakıfBank launched Mobile Contactless Payment, acknowledged as the payment method of the future in the shopping ecosystem. With Mobile Contactless Payment, VakıfBank retail credit card holders can easily give permission for mobile contactless payment on their cards over the mobile app. Thus, they can simply have the contactless POS devices connect to their phone to make payments under TL 90 quickly and securely. For larger sums, customers may make payments by entering their pin on the POS device. Mobile banking customers with retail credit cards can complete purchase transactions only with their mobile phones in a fast, practical and secure manner without physically using their credit cards.

Adding a card to Masterpass via mobile application

VakıfBank has enabled customers to add their debit and credit cards to Masterpass via its mobile banking application. Mobile application users can register their Mastercard and Visa cards to Masterpass, and thus make payments in a swift and secure manner with a single click, without having to share their card information with the sellers.

Credit cards for the high-income segment: Platinum Plus Card and Private Card

Private Card

In June, VakıfBank put the Private Card into service for private banking customers in order to increase the activity of those customers and create a competitive edge in the market.

VakıfBank rolled out its “Platinum Plus Credit Card” product, designed to increase the activity of customers and create competitive advantage.

This new product has the following features:

- In airline ticket and hotel bookings, Worldpoints accumulated in credit cards of cardholders worth quadruple.
- Cardholders have the right to enter Esenboğa and Sabiha Gökçen Airport Lounges 12 times a year, together with a guest, thanks to VakıfBank agreements with those lounges.
- Cardholders enjoy a special 5% discount in their spending abroad.
- In return for a promise to spend TL 50,000 each month, cardholders are offered a domestic round-trip airline ticket worth up to TL 600.
- Cardholders are provided with free-of-charge travel insurance abroad.
- Cardholders enjoy 50% discount on safe deposit box rentals in the branches of the Bank.
- In payments via the POS devices of other banks, cardholders receive 0.15% worth of Worldpoints.

Platinum Plus Card

VakıfBank introduced the Platinum Plus Credit Card in order to increase customer activity in the high limit white collar segment and achieve a competitive advantage.

- In their airline ticket and hotel bookings, Worldpoints accumulated in credit cards of cardholders worth triple.
- Cardholders have the right to enter Esenboğa and Sabiha Gökçen Airport Lounges six times a year, together with a guest, thanks to VakıfBank agreements with those lounges.
- Cardholders enjoy a special 5% discount in their spending abroad.
- In their first TL 5,000 of spending, cardholders are presented with TL 100 worth of Worldpoints as a gift.
- Cardholders are offered free-of-charge travel insurance to Europe.
- Cardholders enjoy 50% discount on safe deposit box rentals in the branches of the Bank.
- In payments via the POS devices of other banks, cardholders receive 0.1% worth of Worldpoints.

TROY Credit Card

VakıfBank’s credit cards are integrated with TROY, the national payment system. Accordingly, VakıfBank’s Classic, Gold, Platinum, Preferential and Express Credit Cards have started being printed with the TROY logo. Troy Credit Cards can be used at international POS and ATMs with the Discover logo.

Bankomat Cards for the high-income segment

Platinum, Platinum Plus and Private Bankomat

Customers with assets above specified threshold amounts, have been offered the Platinum, Platinum Plus and Private Bankomat cards in November. This effort aims to support their ties to the Bank, enhance cross product ownership, increase debit card shopping turnover, and thus non-interest revenues.

Platinum Plus Bankomat Card is available for customers who work in the private sector and fall within the VIP segment. Private Bankomat Card is designed for Private Banking segment customers. Platinum Plus and Private Bankomat Card holders can benefit from VakıfBank’s standard bank card features in addition to the following services and privileges:

Platinum Plus Bankomat Card holders can earn 0.40% worth of Bankomat Money points from all their shopping transactions while Private Card holders can earn 0.45% in Bankomat Money points. Cardholders receive a daily withdrawal limit of TL 3,000 free-of-charge. In addition, cardholders benefit from a POS shopping and e-commerce shopping limit of TL 30,000 per day.

Contactless Bankomat Card

As of 24.12.2018, the Bank has launched the Classical Contactless Bankomat Card. With these cards, customers can make payments of up TL 90 at a time. Total daily contactless payment limit is TL 150. With the contactless card, customers can make more rapid and practical transactions.

EFT/Money Transfer with Credit Card

The service of EFT/Money Transfer with Credit Card was launched to increase card turnover and net fee/commission income by achieving service diversity for credit card customers. This service option was added to money transfer menus in VIT, internet banking, mobile banking and call center. As a result,

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side

with its exclusive credit card advantages...

VakıfBank rolled out its "Platinum Plus Credit Card" product, designed to increase the activity of customers and create competitive advantage.

retail credit cardholders can conduct EFT/ money transfer transactions from their credit card for a fee.

Commercial Credit Cards sustained its upward trend in 2018
In 2018, turnover growth in BusinessCard, which targets corporate, commercial and especially SME customers, continued in 2018. In December 2018, BusinessCard's annual cumulative turnover amounted to TL 13,219 million, up by 23.81% year-on-year. Meanwhile, the number of cards issued increased 6.62% to 198,326. The credit balance rose 15.78% over the previous year to TL 2,040 million. In 2018, the Bank proceeded to conduct campaigns for BusinessCard customers. In parallel, sales campaigns targeting employees also contributed to BusinessCard numbers and turnover.

Commercial Cards' Period between Statement Cut-Off Date and Payment Due Date Were Cut to Seven Days.
To decrease funding costs in commercial cards, the Bank decreased the period between the statement cut-off date and payment due date to seven days. Five different statement cut-off date options were introduced for cardholders.

Prepaid Social Assistance Cards continued to grow.
Growth in repaid social assistance cards continued in 2018. The number of contracted municipal and social assistance foundation climbed to 72. The Bank reached an agreement with the Ministry of National Education related to Government Free Boarding and Scholarship payments via VakıfBank's social assistance cards, which started being distributed to students.

TROY Prepaid Social Assistance Card
VakıfBank's prepaid cards were included in the national payment system – TROY. As a result, the Bank started to distribute prepaid cards with the TROY logo.

HGS and OGS product integration with internet and mobile banking channels
VakıfBank's HGS and OGS products were integrated with the internet and mobile banking channels. As such, customers can easily access and process their HGS/OGS accounts via these channels. Using internet/ mobile banking, customers can now instantly access automatic top-up order updates, pass-through information and account balance/ transaction information.

VakıfBank member merchant turnover continues to expand.
In 2018, the Bank's shopping and cash turnover from member merchants is up by 15.99% compared to the previous year to TL 48,403 million. VakıfBank member merchant transactions totaled 209,746,139, up 13.19% year-on-year.

Early deblocking solution
Member merchants who face blocking and want to receive their POS payments before the due date can initiate the deblocking process by placing an order with VakıfBank branches online, without having to wait for business hours.

We are on the side of SMEs with affordable POS packages.
VakıfBank member merchants have the opportunity to choose from various packages best suited to their operations and monthly turnover limits, and thus pre-determine their POS expenses for a monthly fixed fee. Depending on their choice of one-off payment or payment in installments, 16 different packages are available to member merchant customers.

Seçkin bir dünyaya davetlisiniz
VakıfBank, Yanındaki Güç.
WORLD
VakıfBank Platinum Plus
5521 0100 0000 0000
5521
VALID THRU 01/25
mastercard
MELTEM GÖZ
Yıllık Kart Ücreti Yok
3 Kat Daha Değerli Worldpuan
Ücretsiz Yurt Dışı Seyahat Sigortası*
Yurt Dışı İndirim Ayrıcalıkları*
Ücretsiz Lounge Hizmeti*
Müşteri Hattı Önceliği
Karta Özel Kampanyalar

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with fast, secure and practical solutions in digital channels...

Nearly 250 different transactions can be performed via VakıfBank's internet and mobile banking channels.

Digital Banking and Distribution Channels

Digital Banking

In 2018, VakıfBank enriched its transaction range by transferring almost every transaction available at the branches to digital channels as well, and continuing to offer fast, secure and practical solutions to its customers.

Internet Banking and Mobile Banking

In 2018, VakıfBank continued efforts to enrich its transaction sets in internet and mobile banking. Currently, more than 250 transactions can be performed over these channels.

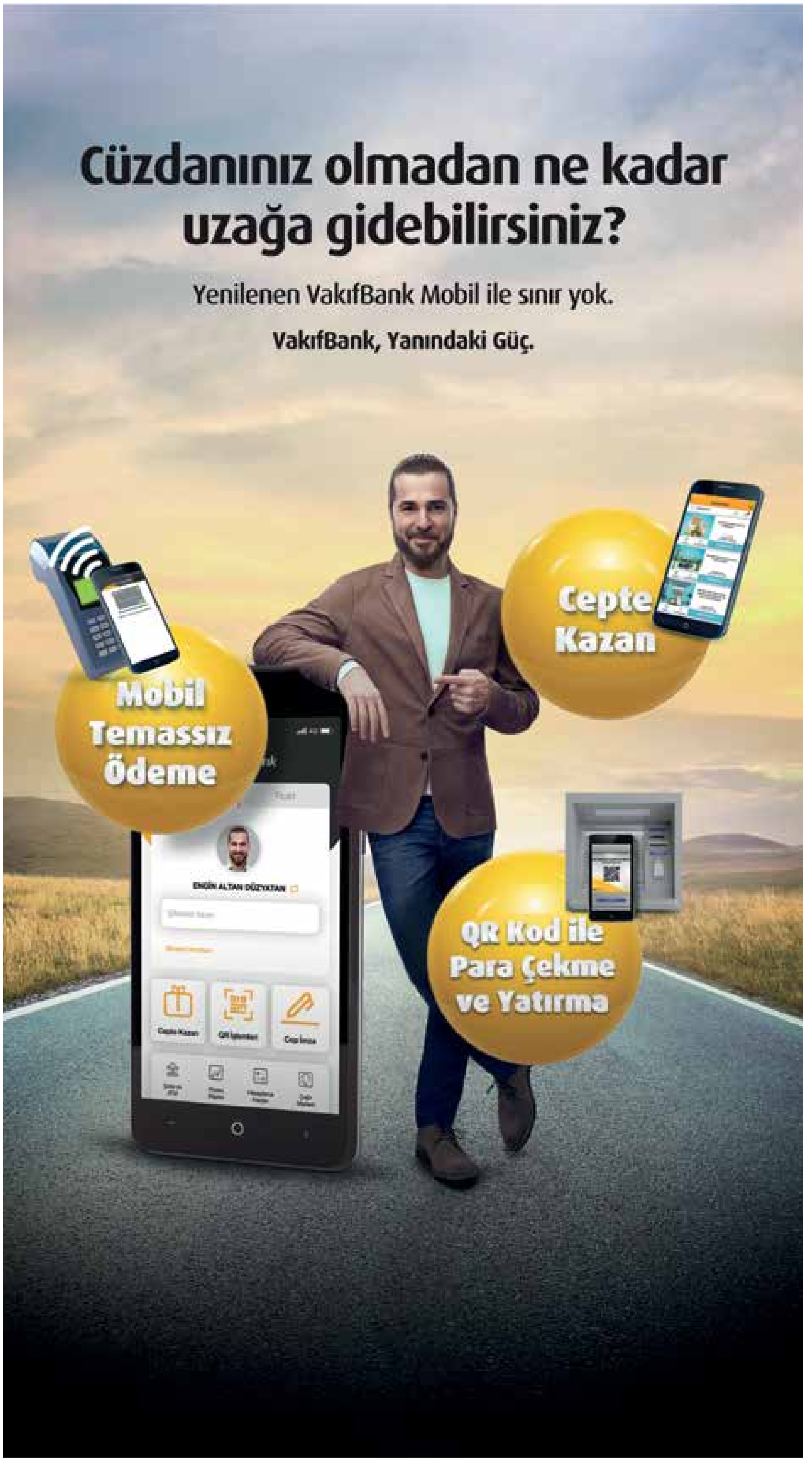
The Bank's mobile banking customer base expands every day given that mobile banking can be accessed at anytime and anywhere. Meanwhile, there is a downtrend in the number of customers opting for the Internet Banking channel.

In 2018, VakıfBank recorded over 3.4 million mobile banking customers, a 53% growth year-on-year. In parallel with the increase in users, the volume of financial transactions over the mobile channel increased 52.8% over the previous year.

VakıfBank works to ensure that all its customers benefit from opportunities created by digitalization. The Bank actively develops solutions that enable more people to access banking services. In addition to a rich banking transactions set, VakıfBank customers can add cards to Masterpass, open their credit cards for mobile contactless payment on Android devices, and make use of NFC features for shopping at contactless POS devices – all thanks to recent upgrades. Customers can withdraw money without a card from any VakıfBank ATM by using a QR Code and make FX transfers with ease via SWIFT transactions. In HGS/OGS transactions, the Bank's customers can view their account balance and pass-throughs, and top-up their cards. In addition to the existing Findeks Risk Report, VakıfBank customers can easily access the Findeks Check Report, register via the Bankomat Money menu to win points by using their Bankomat cards, and keep track of their card spending. Customers can update their home and business address over the internet channel or add a new address. VakıfBank customer can monitor the progress of their credit card or Bankomat card applications via internet and mobile banking. In addition, they can purchase Travel/Health, Annual Life, Housing Package and Personal Accident Insurance policies.

Internet banking and mobile banking services are compatible with the screen reader programs used by visually impaired customers. This feature enables visually impaired customers to conduct transactions via internet and mobile banking channels.

As part of the complete revamp of Digital Banking application interfaces initiated in 2017, the Bank relaunched mobile banking on November 15, 2018. Work is ongoing to upgrade the internet channel, which the Bank plans to relaunch in 2019. Projects to integrate Voice Assistant and chatbot technologies to these channels are scheduled for completion in 2019. Since the beginning of 2018,



In 2018, the Bank's mobile banking customer base exceeded 3.4 million with 53% growth.

VakıfBank has expanded new commercial internet banking and commercial mobile banking applications. In 2019, the Bank plans to focus on diversifying the functionality of the commercial mobile application. To enhance customer experience in the following year, the Bank will integrate programs monitoring customer experience into its digital channels.

VakıfBank modernize its ATMs

With its network of 4,176 ATMs covering all regions across Turkey, VakıfBank continued to meet the needs of its customers in a fast, reliable and practical way in 2018. To enhance service quality during the year, the Bank continued to transform its regular ATMs into Recycle ATMs. With the Bank's upgraded mobile application QR Code service, customers can now withdraw money from and make deposits to VakıfBank ATMs, without using a card.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
with advanced technology breakthroughs in the sector.

In the area of information technologies in 2018, the Bank commissioned many projects to create added value, in consideration of its corporate strategies and targets.

Information Technologies

In 2018, the Information Technologies Department continued to meet the VakıfBank's technology, service and new product requirements while delivering high performance and efficiency-oriented services. The Bank's technology infrastructure and banking practices are structured to swiftly respond to changing business needs and market conditions, quickly adapt to new technologies, and rapidly design new services and products. The integration of these cutting edge technologies with VakıfBank's business processes continues to yield results that enhance the Bank's competitiveness. In the area of information technologies, VakıfBank closely monitored innovations and technological advancements in the sector and undertook IT investments as needed. The Bank initiated a number of value-adding projects in due consideration of its corporate strategies and objectives.

Operational development projects launched in 2018

NPL Collection System
VakıfBank started to receive collections outside of regular payment days. This modification aimed to prevent overdue loans from turning into NPLs; distribute collections across risks in a balanced manner; and boost collection rates for salary customers and overdue customers.

Credit Monitoring Pools and Actions
The Bank created monitoring pools and actions infrastructure; started to send overdue warnings and debt structuring suggestions via notifications (ATM, mobile, internet banking); transferred information on monitoring pools to the firm sheet; and issued monitoring pool, actions, overdue and close monitoring reports.

Credit Monitoring and Collection Management
To prevent overdue accounts from becoming NPLs, the Bank attempts to obtain a promise of payment via various communication channels and indirectly boosts the collection rate; performs restructuring via the branch and call center channels to increase the collection rate; and takes action on the basis of each product to keep track of call performance.

Bank Insurance
The Bank diversified the insurance products marketed via its various channels; enhanced data flow between VakıfBank, Güneş Sigorta and Vakıf Emeklilik ve Hayat A.Ş.; and established the distribution principles and rules for bancassurance commission breakdown to boost cross-sales and profitability.

In retail overdraft account openings, the Bank started to provide life insurance policies. During retail loan consumptions, in cases of overdraft account or solo overdraft account limit allocations or increases, the Bank offers credit life insurance policy coverage by taking the allocated limit as credit life insurance guarantee.

With the Project to Transfer the Legal Follow-Up System (YTS) to VIT, the Bank's receivables follow-up system, dubbed GALLE, was created end-to-end over the VIT. The Bank allowed its contracted lawyers to use a VIT-integrated web interface for various, actions such as payment planning, execution proceedings, expenditure reporting, advance payments and solicitor's fees.

Workload Automation
To perform daily, routine IT tasks over a single, automated platform, without resorting to manual procedures or operators, the Bank established a workload automation device.

In ATM money withdrawal/cash advance transactions performed with foreign bank debit and credit cards with the Dynamic Currency Conversion feature, VakıfBank ATMs now offer customers exchange rates in real time and thus minimize the Bank's FX risk.

My Rent Is Safe
With the creation of the Rent Collection System, VakıfBank established a systems infrastructure that automates landlord rent collection from tenants, with a view toward increasing the Bank's commission fees.

Writing the Branch Screen of Member Merchants on the Banking Platform
The Banksoft software – used by the Branches and Payment Systems Department for pricing, application, change of working conditions, additional POS, member merchant updates, early deblocking, field service requests and reporting – was developed on the VIT platform, thus reducing Banksoft development costs.

ATM – Dynamic Currency Conversion (DCC)
In ATM money withdrawal/cash advance transactions performed with foreign bank debit and credit cards with the Dynamic Currency Conversion feature, VakıfBank ATMs now offer customers exchange rates in real time and thus minimize the Bank's FX risk.

TÖS – Second Phase New Features
The Bank aims meet customer requirements and acquire new customers via automated collection of the annual usage cost to increase operational efficiency; create mobile signature integration in order to provide the most innovative security applications; and establish authorization/approval mechanisms.

Creation of the LGD Model
VakıfBank created a datamart to calculate the estimated loss amount in cases of possible default, minimized the error rate in the resulting data by establishing cross checks on the new monthly loaded data, and started to store the modeling data in a DWH environment, without any updates.

Recycle ATM Software
To increase the Bank's efficiency in cash management, VakıfBank added recycle features to cash ATMs. In addition, the Bank revised the software and cash reconciliation structure to support both single-tower and double-tower recycle ATMs.

Upgrading the EBİS Support Portal
With the transition of ITSM to the latest version preferred by the Bank, the Service Management Software (EBİS Support) installation and adaptation was completed during the year. End user and operator monitors were also redesigned in a user-friendly manner.

Updating Customer Profession and Title Information
The Bank eradicated possible data pollution arising from customer registration/update processes; eliminated errors that may arise from the erroneous entry of customer profession data in applications that utilize this data such as Oto.İst and KDS; and allowed branches to prevent incorrect data entry and choices for profession/title/education status/workplace fields with systemic controls.

Transformation of the Foreign Currency DBS/BTS Infrastructure to DEK
VakıfBank transitioned from the foreign currency lending system infrastructure to the foreign currency based credit structure.

Individual Modeling Data Dictionary (IDD)
Beginning in 2007, the Bank established a datamart featuring individual customers' credit, check, general consumer loan, credit card, overdraft account data as well as risk and ID info. This datamart is used in PD, LGD, EAD modeling efforts.

Municipality Scorecard Model
Systematic scores are generated for companies whose legal structure are within local governments (Municipalities and Metropolitan Municipalities).

Transfer of the Midas Check Application to the Core Banking Application
Efforts were made to scan check information via MICR codes, and to automatically transfer this information to the central input screens.

E-Letter of Guarantee (Credit Bureau)
By means of integration with the Credit Bureau's E-Letter of Guarantee platform, the Bank's letters of guarantee and all processes during the lifecycle of the letter were transferred to the electronic environment.

Central EFT System
Efforts were made to perform money transfer, EFT and execution proceedings over a VIT-based system.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side, improving its systems infrastructure by targeting high performance and efficiency.

The Bank created a TROY-branded credit card product, which can be used in Turkey and abroad.

IFRS9 – Rediscount of Non-Performing Loans
The Bank included NPLs in the IFRS system for rediscount and billing, and revised the accounting criteria for designating performing loans as NPL.

Contactless Payment via Mobile Phone
VakıfBank introduced cloud-based contactless payment functionality with HCE technology; as a result, it is now possible to make contactless payments from Android phones.

TROY Credit Card
The Bank created a TROY-branded credit card product, which can be used in Turkey and abroad.

Installment Overdraft Account
VakıfBank launched a new Installment Overdraft Account product. Installment Overdraft Account transactions can now be performed over the branch, ATM, internet banking and mobile banking channels, and their profitability can be monitored.

Creation of a Customer Information Service Infrastructure
The Bank created a customer information service infrastructure under a joint module, enabled the notification of complete, due and incomplete transactions, allowed customers to create their own notifications over the agenda system, and started to charge fees from notifications.

Real-Time Campaign Management
VakıfBank started to conduct real-time campaigns, and to monitor and follow up feedback via six different channels.

Enriching Commercial Internet Banking
The Bank increased operational efficiency by enabling commercial customers to initiate and complete various financial transactions involving various branches and operational departments over the internet banking channel. Furthermore, it is now possible for customers to manage financial transactions and cash flow via follow-up and reporting screens.

Corporate Video Publishing Infrastructure
VakıfBank ensured that information and training can be provided to the Head Office and branches via video. This effort systematically maintained traceability traces and increased efficiency.

Mobile Banking Interface Implementation
With the new mobile banking application, the Bank introduced numerous features, such as QR code transactions. Many financial transactions can now be performed over the phone without the wallet, resulting in a clear increase in customer satisfaction.

Control and Reporting of Foreign Currency and TL Security Operations
The Bank reduced the treasury operation load, systematically controlled the conformity of transactions to market values, increased its competitive and control advantage, determined the risk model more accurately via systemic controls and reporting, and systematized the evaluation adjustments.

Investment projects

E-Tender Software Procurement
E-Tender software was purchased for use in the Bank's goods and services purchases.

IVR Scheduled Call Software Procurement
Software was purchased to ensure that customers dialing the Call Center at peak times are called back by the Bank, without having to wait in a queue.

Financial Consolidation Software and Project Service Procurement
The Bank procured Financial Consolidation Software and adaptation service to carry out the financial consolidation of VakıfBank subsidiaries,

VakıfBank has procured new data storage units at varying capacities to meet the data storage needs of critical applications at the Istanbul and Ankara data centers.

and to produce BRSA and IFRS reports over the single account plan.

Collection Rule Engine Procurement
VakıfBank procured decision support software, strategy consultancy, and model development service to improve the collection processes of the Bank's individual customer portfolio.

Decision Support Software Purchase for the Commercial Loan Transformation Project
The Bank purchased Statistical Modeling and Decision Support Software licenses and installation, in addition to consultancy services. This effort aims to create the necessary statistical models and decision tree structures.

Procurement of TTS License for ATMs
As per the BRSA regulation to render banking services accessible for visually impaired customers, the bank obtained 3,750 TTS (Text to Speech) software licenses to transform text into speech, for installation at ATMs.

Purchase of 500 Currency Counters
Under this project, VakıfBank purchased 500 currency counters with 1 + 1 story for use in the Bank's branches and departments, complete with counterfeit detection and VIT integration features.

Purchase of 16,000 Mobile (GSM) POS
To meet emerging needs, the Bank procured 16 thousand Mobile (GSM) POS devices.

Procurement of Machinery to Print and Envelop Cards
VakıfBank purchased additional card printing and enveloping machinery to expand the capacity at the Bank's card printing center.

Video Conference System Procurement for Commercial Branches
VakıfBank purchased a Video Conferencing System solution so that the Bank's commercial branches can hold their regular meetings and presentations with the departments and Head Office Departments via video conferencing.

Procurement of Video Conference System
The Bank acquired a new video conferencing system solution to renew its current video conference system.

Procurement of an In-House TV Solution
Videowall devices were purchased for VakıfBank Head Office buildings. In addition, content management and publishing software was procured to manage the content broadcast over these devices.

Purchase of Data Storage Units
VakıfBank procured new data storage units at different capacities to meet the data storage needs of critical applications in the Istanbul and Ankara data centers. In addition, the Bank purchased NAS units to store SAN devices and file data in order to establish connections between application servers and data storage solutions.

IP Address Management Software Procurement
A DDI (DNS, DHCP and IP address management) solution was purchased to perform VakıfBank IP address management centrally, prevent data hijacking via DNS tunneling and impede access to domain names containing harmful content at the DNS stage.

Procurement of Backup Infrastructure (ZFS)
Oracle ZFS data storage devices were purchased to create a corporate archive database for the Bank, which can compress data at a high rate, create rapid backups, and restore data from backup.

Extension of the Oracle ULA Agreement
The ULA (Unlimited License Agreement) with Oracle was extended and the Bank's subsidiaries were included in the agreement.

Procurement of Consultancy Services to Establish the R&D Center
The Bank acquired consultancy services to manage the application and auditing processes for the R&D Center.

Digital Transformation Consultancy Procurement
VakıfBank procured consultancy services to assist with clearly defining the Bank's digital transformation objective, policy, vision and strategy to be jointly followed by the IT and business departments. The specialized consultancy services will also help in formulating the Bank's digital transformation plan and roadmap.

In addition, various licenses, consultancy services on a person/day basis, hardware and maintenance upgrade services were procured to meet the Bank's needs in this area.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side
by integrating business processes with advanced information technologies.

VakıfBank completed coordination efforts for audits and legal compliance that achieved full harmony with Swift Customer Framework standards.

Information Security and Compliance Activities

- ISO 27001 – Information Security Management System certification was obtained for the Bank's information systems processes.
- Bank Information Security Policy and Central User Authorization and Password Policy documents were revised during the year.
- As part of process management activities, the Bank improved its IT process documents, carried out process self-assessment studies and conducted periodic measurement of process performance metrics. VakıfBank also performed benchmark studies in consideration of other Bank IT processes.
- VakıfBank executed coordination efforts to ensure audit and legal compliance; as a result, the Bank became fully compliant with Swift Customer Framework standards.
- Under the SIEM Log Management System, the Bank collects approximately 600 million logs daily from about 4,000 log sources. These logs are monitored and reported instantly.
- The Bank started using a vulnerability screening tool as part of its vulnerability management efforts. As a result, the vulnerabilities of the Bank's systems were periodically scanned and reported. Regular online leak tests were conducted for web applications, including the intranet.
- VakıfBank released a Database Activity Monitoring product to monitor changes in databases.
- The Bank created content for information security training in relation to End User, Authorized User, SOME team and Application Developers. A Security Bulletin Training was held on a monthly basis and announced to the entire Bank.
- As part of IT Security Self-Assessment activities, the Bank conducted efforts for security baseline, firewall rule self-assessment, SSL VPN user self-assessment study, authorized user self-assessment study, Active Directory user self-assessment study, external link inventory self-assessment study, task separation matrix update and self-assessment study.
- VakıfBank conducted business impact analyses to determine critical processes, maximum sustainable downtime and targeted rescue times. ODP tests were performed according to the service criticality results.
- Under the data leakage prevention program, the Bank enriched scenarios and rules and created daily alarm mechanisms.
- The Bank aligned its personal data inventory with the Law on the Protection of Personal Data.

System Management and Information Technology infrastructure activities

- VakıfBank continued monitoring and improvement activities related to Head Office and field technology infrastructure; the Bank completed plans to increase the level of renewal, maintenance, update, backup and security under configuration, capacity and change management efforts.
- The Bank completed investment in and installation of new EMC Datadomain, Isılon, AFA and Oracle ZFS products, resulting in renewal of the storage and backup infrastructure and capacity increases.
- VakıfBank activated new DDOS attack prevention devices during the year.
- The Bank renewed and complete the Video Conference System, installed at 50 locations across the organization.
- VakıfBank set up a new video conferencing system and released it for the Bank's commercial branches.
- Sound, security and communication systems infrastructures were established at Akyaka Head Office service buildings.
- The Bank renewed and released New Allot internet usage prioritization devices.
- The set-up of new wi-fi communication infrastructure and wi-fi in house telephone installation was completed in the Bank's Head Office buildings.
- The new Oracle Exadata X7-2 was put into service after the renewal of data warehouse and database infrastructure.

For a more effective response to and continuous monitoring against cyber-attacks, VakıfBank established the Cyber Security Operation Center to operate in a closed circuit at the EBIS building.

- VakıfBank completed the new Imperva Auditing security tool in all databases.
- The Bank put into service the new HP-SA product for software deployment at ATMs.
- VakıfBank installed APT systems for advanced malware detection, and the Bank's open world-wide addresses have been brought under advanced WAF protection.
- VakıfBank established a Cyber Security Operation Center to operate in a closed environment in the EBIS Building for more effective response and continuous monitoring against cyber-attacks directed at the Bank. Essential measures of protection against ongoing cyber-attacks and current threats and malware that spread rapidly around the world have been taken by the Bank. As such, disruption of banking services has been prevented.
- The Bank completed infrastructure design and installation essential for application development projects and additional integrations.
- Critical problems encountered in operation were solved in a timely manner and service quality was maintained across all channels. Usage practices were continuously monitored; any arising problems and other issues were identified and resolved by departments within or outside the Bank.
- After the complete shutdown of the IBM Mainframe main systems, the Bank fully transferred data of the physical tape archives to open systems.
- As part of emergency drill efforts, VakıfBank shifted service channels (Mobile Banking and Internet Banking, Branch, ATM, Call Center and Card Payment Systems) from Istanbul to the Ankara Data center automatically within minutes, with very minimal intervention from the employees. Shutdown of the Istanbul Data Center was included in the emergency scenarios. All ATM, branch and POS in the field established communication with the Ankara Data center via backup lines.
- VakıfBank prepared all service contracts required for the Ankara Data Center to continue to serve in the Anatolian Data Center belonging to the Credit Bureau. The Bank initiated projects for the installation and transportation phases.

R&D and Digital Transformation Activities

- VakıfBank formulated Data Governance Policies for implementation of the Data Governance System. The data dictionary application to support these policies was released in pilot format.
- The Bank initiated various studies and processes related to R&D Center activities.
- As part of artificial intelligence usage for fraud detection efforts, the Bank learned its internet users' typing habits via artificial intelligence in order to detect fraudulent activity.
- To register check data automatically, systems related efforts began to use AI to render transactions more automated.
- As part of VR technology studies in education, the Bank explored uses of virtual reality (VR) and augmented reality (AR) technologies in education and conducted a pilot VR study.
- VakıfBank developed a video banking software to ensure remote customer acquisition via voice and video calls, and to achieve competitive, rapid and easy customer acquisition in digital banking.
- Thanks to designs and upgrades to the blockchain trade platform, the Bank created an infrastructure to perform foreign trade transactions in a swift and reliable manner, and forged new collaborations.
- VakıfBank held a workshop on design-oriented thinking with the participation of Bank employees. This effort contributed toward creating an in-house innovation culture.
- The Bank initiated a pilot study to scan the data on the NFC chip of the chip ID cards, and to especially perform login by identifying the customer's face.
- Under the Counter Tablet Project, the Bank performed upgrades to allow customers to monitor and approve the teller's actions via tablets installed in front of counters.
- As part of efforts to establish a digital approval infrastructure, VakıfBank added a customer approval step to the VIT workflow infrastructure used in banking approval processes. Customers can now perform document approvals via internet, mobile and the digital confirmation portal.
- As part of efforts to synchronize the different development and operation disciplines within the IT departments (DevOps), the Bank commenced work on rearranging the application development life cycle according to DevOps methods and instruments.

REVIEW OF OPERATIONS IN 2018

VakıfBank is on your side with its ongoing efforts to enhance customer satisfaction day after day.

VakıfBank and its subsidiaries are now known as "VakıfBank Finance Group."

Corporate Communications

In 2018, VakıfBank continued to move forward along its transformation journey that started in the last quarter of 2017. VakıfBank promises to be the "Strength on the side of its customers" under its Corporate Communication Strategy, which approaches customers, internal customers and the society at large in different ways. On the employee side, the Bank upholds the slogan "You are the power of change." It has summarized its work in the field of Corporate Social Responsibility with the slogan "I am on your side."

During the year, full compliance with the Bank's general strategies was achieved via product-oriented, marketing-focused commercials. The Bank's core communication strategy is centered around the targets of increasing the number of transactions in non-branch and digital channels, expanding the customer base and their engagement, increasing the volume of deposits, and raising the number of active customers across all segments.

The Bank released commercials for Mobile Field Sales, 64th Year Private Personal Consumer Loan, Instant Loan, Arı Account and Mobile 2.0 product, as well as an TV image film produced for the 64th Anniversary. Due to the importance attached to identifying a target audience, specific productions for digital media were among the Bank's outstanding ads in 2018. Digital-focused ads joined the VakıfBank communications universe under the title "Kofti Kahramanlar" and focused on the products Arı Account, Additional Account, My Rent Is Safe and Mobile Banking.

In addition to these commercials, VakıfBank continued to effectively manage corporate social media accounts and web sites of VakıfBank, VakıfBank Sports Club, Our Place and VakıfBank Culture Publications, Similarly, the preparation of application files for corporate awards and the follow-up of related processes were completed successfully.

In its corporate communications journey centered on the mission of being the Leading Bank of Strong Turkey, VakıfBank Finance Group rose to prominence in 2018. Joint communication activities were conducted by VakıfBank and its subsidiaries under the Bank's leadership, the first steps were taken, and the VakıfBank Finance Group was officially launched.

2018 was a successful year at VakıfBank for public relations, which represents the entirety of the Bank's communication activities via the media. Even as many newspapers closed or reduced their page count, VakıfBank was the only bank to increase its positive coverage. In-depth analyses of these efforts started in 2018 as measurements were simplified and brought to a realistic level. As a result, the strategies and plans in this area were updated, and objectives were clearly identified.

Internal communication efforts were intensified in 2018 with a specific focus on the message "You are the power of change." The Bank organized major events, such as the Foundation Anniversary and Managers' Summit, as well as numerous activities for employees and pensioners. At the same time, in order to turn each staff member into a brand representative, VakıfBank performed specific efforts to ensure the correct and timely flow of information within the organization and constant communications with employees. With this approach, VakıfBank's communication cycle is not 360, but rather 720 degrees.

2018 was an important year for VakıfBank in terms of enhancing research and analysis in corporate communications. This fiscal year, the Bank conducted attitude and experience research on branding, advertising, customer satisfaction and WAO, reputation, confidential customer and banking products. VakıfBank shared the results of these studies with relevant departments, identified strengths and weaknesses, and contributed to formulating the Bank's overall strategy. In addition, the Bank established a road map in this area on the basis of in-depth tests and studies before and after advertising campaigns. The deployment of a research culture across the organization was also achieved this year.

The success of VakıfBank's corporate communication activities was crowned by national and international awards. The "Stevie – PR/Communications Department of the Year Award," recognized the Bank's media usage, data usage, event management and sponsorship activities. In addition, VakıfBank entitled numerous awards at various competitions, including three awards at the Crystal Apple, eight at the Stevie Awards, two at Felis Awards and two at the Global Brands Magazine Awards.

CORPORATE SOCIAL RESPONSIBILITY

VakıfBank is on your side

with its corporate social responsibility activities...

VakıfBank participates in projects that provide social benefit in the fields of children's specific education, cultural publishing, and youth setup in sports. In 2018, the Bank fulfilled its social responsibility by engaging in a wide range of activities.

2018 was a historic year at VakıfBank for corporate social responsibility activities, which were grouped in three main categories under the brand "I am on your side." VakıfBank participates in projects that provide social benefit in the fields of children's specific education, cultural publications, and youth setup in sports. In 2018, the Bank fulfilled its social responsibility by engaging in a wide range of activities.

VakıfBank Culture Publications (VKBY) was established in 2018. In November, VBKY published its 15th book and showcased it at the 37th TÜYAP International Istanbul Book Fair. The main goal of VBKY is to enrich and promote culture and arts first at a national and then at a universal level, and to preserve and develop the assets and values that it has inherited for future generations. The publishing house generated intense interest at the fairs and events it participated in during 2018. Publishing world class works in the fields of history, philosophy, humanities and social sciences, arts, economics, classics, children and academia, VBKY continuously extends its publishing catalogue with sophisticated, pioneering books that raise public awareness, in line with its editorial policy.

Having won numerous European and World Championships, VakıfBank Women's Volleyball Team supported its conditions as "Turkey's most successful volleyball team in the international arena" in 2018. VakıfBank Women's Volleyball Team won its fourth unbeaten European Champions League title and third unbeaten Club World Championship Cup, while also winning its 10th Turkey Championship. With the aim of announcing this exceptional success to a wider audience, VakıfBank has produced various commercials on the topic. The Bank has achieved worldwide success in its digital and social media communication strategy as well as its use of creative concepts. The Bank acquired the best results in its history in "interaction," which is the gold standard of the digital world.

As part of efforts for the education of special children, VakıfBank provides voluntary support to the Center for Early Intervention, Training, Follow-Up and Research in Autism established by Anatolia Autism Foundation in İzmir. Furthermore, this effort was supported by communication activity to raise awareness in this field.

Under its collaboration with the Ministry of National Health, VakıfBank provides voluntary support to 19 Mechatronics and Mind Games Workshops organized across Turkey by BİLSEM. The Bank will continue such efforts in the following years to support the development of children who entitle specific training in Mechatronics and Mind Games Workshops.

On the sponsorship side, VakıfBank organized many activities, such as summits, social benefit projects, culture, arts and sports events, and gave financial support to university and local government organizations.


Yanında Ben Varım
Daha güzel Türkiye'ye doğru yürürken toplumumuzun yanındaki güç olmayı
kendimize ilke edindik ve var gücümüzle; spor, kültür, özel çocuk eğitimi
alanlarında kıymetli projeler hayata geçiriyoruz. VakıfBank olarak, bu alanların
en büyük destekçisi olmak, bizim için sosyal sorumluluktan öte, sevinçlerin en özeli...
Yanında Ben Varım

AFFILIATES AND SUBSIDIARIES

VakıfBank Finance Group is on your side by contributing to the national economy with its subsidiaries.

On VakıfBank's balance sheet, the affiliates and subsidiaries item is up from TL 2.6 billion in 2017 to TL 3.1 billion in 2018.

VakıfBank supports the Turkish economy with 12 subsidiaries and 11 affiliates operating in a number of industries.

Twelve of the Bank's affiliates and subsidiaries operate in the financial services sector – four in banking, two in insurance and six in other financial lines of business. Meanwhile, 11 are non-financial subsidiaries – one in energy, two in tourism, one in manufacturing and seven in other commercial companies.

On VakıfBank's balance sheet, the affiliates and subsidiaries item is up from TL 2.6 billion in 2017 to TL 3.1 billion in 2018.

FINANCIAL SERVICES GROUP

VakıfBank International AG
VakıfBank International AG was founded in Austria in 1999 to grow VakıfBank's international operations in line with its strategy to enlarge abroad. VakıfBank controls a 90% share in the company's capital of EUR 70 million.

Kıbrıs Vakıflar Bankası Ltd.
Established in the Turkish Republic of Northern Cyprus by the Cyprus Administration for Foundations, VakıfBank holds a 15% share in Kıbrıs Vakıflar Bankası Ltd., which conducts banking activities with capital of TL 70 million.

Türkiye Sınai Kalkınma Bankası A.Ş.
Established in 1950, Türkiye Sınai Kalkınma Bankası A.Ş. provides long-term funds for medium- and large-scale investment projects, engages in investment banking activities, and delivers corporate finance services. VakıfBank held an 8.38% share in Türkiye Sınai Kalkınma Bankası's capital of TL 2.8 billion.

Takasbank-İstanbul Takas ve Saklama Bankası A.Ş.
İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) is engaged in clearing and custody services as well as investment banking services. VakıfBank holds a 4.37% share in the bank's share capital of TL 600 million.

Güneş Sigorta A.Ş.
Güneş Sigorta is a general (non-life) insurer originally established in 1957 under VakıfBank's direction. VakıfBank holds a 48.02% share in the company's capital of TL 270 million.

Vakıf Emeklilik ve Hayat A.Ş.
Vakıf Emeklilik ve Hayat was founded to provide individual or group private pension and life insurance services. VakıfBank holds a 53.90% share in the company's capital of TL 26.5 million.

Vakıf Finansal Kiralama A.Ş.
Vakıf Finansal Kiralama A.Ş. was founded in 1988 to provide a comprehensive range of leasing services. VakıfBank holds a 58.71% share in the company's capital of TL 140 million.

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. is an investment trust. The company was founded in 1991 as a publicly held concern to manage the assets of small and individual investors on Borsa Istanbul. Vakıf Menkul Kıymetler Yatırım Ortaklığı facilitates the trading of marketable securities and maximize the returns of its portfolio by closely monitoring foreign exchange, stock and money markets. VakıfBank holds a 18.47% share in the company's capital of TL 20 million.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was founded in 1996 under the leadership of VakıfBank as the first real estate investment trust in Turkey with issued capital of TL 250,000. The company was set up to establish and manage a portfolio of real estate properties and real estate backed capital markets instruments. VakıfBank holds a 38.70% share in the company's capital of TL 225 million.

Vakıf Factoring A.Ş.
Vakıf Factoring A.Ş. was founded in 1998 to provide factoring services for domestic and international commercial transactions. VakıfBank holds a 78.39% share in the company's capital of TL 70 million.

Twelve of VakıfBank's affiliates and subsidiaries operate in the financial services sector – four in banking, two in insurance and six in other financial lines of business. Meanwhile, 11 are non-financial subsidiaries – one in energy, two in tourism, one in manufacturing and seven in other commercial companies.

Vakıf Yatırım Menkul Değerler A.Ş.
Vakıf Yatırım Menkul Değerler A.Ş. was founded to conduct capital market activities in the same year pursuant to the Capital Markets Board's resolutions dated August 15, 1996. VakıfBank holds a 99.25% share in the company's capital of TL 35 million. In addition to providing brokerage services, Vakıf Yatırım Menkul Değerler (Vakıf Investment) performs repurchasing agreements of securities (repo transactions) and provides investment advisory services.

Vakıf Portföy Yönetimi A.Ş.
Within the resolution VakıfBank's Board of Directors dated December 13, 2018, the Bank decided to sell all its shares in the wholly-owned subsidiary Vakıf Portföy Yönetimi (Vakıf Portfolio Management), which has total capital of TL 24 million, to Ziraat Portföy Yönetimi A.Ş. The share transfer was completed as of January 2, 2019; as of the referenced date, the Bank has no shares in Vakıf Portföy Yönetimi A.Ş. As of December 2018, Vakıf Portföy Yönetimi was removed from the Bank's consolidated subsidiaries.

Kredi Garanti Fonu A.Ş.
Kredi Garanti Fonu A.Ş. was founded in 1991 to provide collateral for all types of loans in favor of SMEs, farmers, artisans, craftsmen and the self-employed. VakıfBank participated in the company in 2009 and holds a 1.54% share in its capital of TL 318.3 million.

NON-FINANCIAL SERVICES GROUP

Taksim Otelcilik A.Ş.
Taksim Otelcilik A.Ş. was founded in 1966 to build, contract out and manage hotels, motels and similar facilities capable of increasing Turkey's incoming tourism potential. VakıfBank holds a 51% share in the company's capital of TL 334.3 million.

Vakıf Gayrimenkul Değerleme A.Ş.
Vakıf Gayrimenkul Değerleme was established in 1995 to carry out the appraisal and valuation of all types of real estate. VakıfBank holds a 94.29% share in the company's capital of TL 14 million.

Vakıf Pazarlama Sanayi ve Ticaret A.Ş.
Vakıf Pazarlama Sanayi ve Ticaret A.Ş. provides recruitment support, shared health and security department services, and other related services. VakıfBank holds an 86.97% share in the company's capital of TL 30.2 million.

Vakıf Enerji ve Madencilik A.Ş.
Vakıf Enerji ve Madencilik A.Ş. operates in the energy industry. VakıfBank holds a 65.50% share in the company's capital of TL 85 million.

Roketsan Roket Sanayii ve Ticaret A.Ş.
Roketsan Roket Sanayii ve Ticaret A.Ş. engages in the production, manufacturing and sale of rocket fuel as well as missiles, rockets and rocket launchers, and their engines. VakıfBank holds a 9.93% share in the company's capital of TL 147 million.

Kredi Kayıt Bürosu A.Ş. (KKB)
Kredi Kayıt Bürosu A.Ş. was founded in 1995 to manage the flow of loan information. VakıfBank holds a 9.09% share in the company's capital of TL 7.4 million.

Bankalararası Kart Merkezi A.Ş.
Bankalararası Kart Merkezi A.Ş. was established in 1990 to conduct card-based payment systems, clearing and provisioning services. VakıfBank holds a 9.70% share in the company's capital of TL 30 million.

İzmir Enternasyonal Otelcilik A.Ş.
İzmir Enternasyonal Otelcilik A.Ş. engages in contracting out of the building and the management of tourist hotels and commercial centers. VakıfBank holds a 5% share in the company's capital of TL 120,000.

Güçbirliği Holding A.Ş.
Güçbirliği Holding A.Ş. was founded in 1995 to invest in companies engaged in agriculture and commerce, and to contribute to the development of the national economy. VakıfBank holds a 0.07% share in the company's capital of TL 30 million.

World Vakıf UBB Ltd. in Liquidation
World Vakıf UBB Ltd. in Liquidation was founded in the Turkish Republic of Northern Cyprus with capital of USD 500,000. VakıfBank holds an 82% share in the company's capital. The Court of Lefkoşa Kaza in TRNC ruled for the liquidation of the company in a resolution dated May 24, 2010; the resolution was finalized as of 2013.

Türkiye Ürün İhtisas Borsası A.Ş.
Türkiye Ürün İhtisas Borsası A.Ş. was established to operate for trading electronic product bills created by licensed warehouse enterprises and futures contracts based on electronic product bills, as per Law numbered 5300 and related legislation. VakıfBank holds a 3% share in the company's capital of TL 100 million.

SUMMARY REPORT OF THE BOARD OF DIRECTORS

Esteemed Shareholders,

2018 marked reciprocal increases in customs tariffs and downside risks regarding global economic growth. The US economy maintained its growth driven by financial incentives, recording a 3.4% growth rate in the third quarter of 2018. The US Central Bank, i.e. the Fed, hiked interest rates four times in 2018, in parallel with the macroeconomic indicators announced. In their last meeting of 2018, the Fed raised the benchmark rate up to the levels of 2.25% and 2.50%. In the Eurozone, major events of 2018 were the developments around Brexit. The Eurozone economy is up by 2.4% in the first quarter, 2.2% in the second quarter and 1.6% in the third quarter, revealing a slow-down in the growth trend for the period. The European Central Bank (ECB) finalized the Quantitative Easing as of the end of December, and carried on with the normalization of monetary policies. Standing at a growth rate of 6.6% in 2018, the Chinese economy saw record lows in the last 28 years due to escalating trade wars with the US. The emerging trend of protectionism in global trade resulted in downside risks for developing countries, and the emerging markets faced capital outflows and declining currency values in this period.

As the financial conditions tightened and concerns around global trade mounted, the Turkish economy is up by 7.2% in the first quarter, 5.3% in the second quarter and 1.6% in the third quarter of 2018. This equaled a moderate annual growth of 4.7% for the first nine months of the year. However, the country's economy endured various speculative attacks that remain unexplained by macroeconomic indicators. Foreign exchange fluctuations observed in August were overcome by the proactive, timely and adequate measures taken by the new economy administration, the Banking Regulation and Supervision Agency, and the Central Bank of the Republic of Turkey. The New Economic Program announced on September 20 targeted a change focusing on added value in production and exports based on rebalancing in economy and monetary discipline. Macroeconomic indicators of the last quarter of 2018 and leading indicators for 2019 manifest a successful progress in the rebalancing process.

The Turkish Central Bank (CBRT) reserved its tight stance on monetary policy in the period. In May 2018, the CBRT completed the simplification process and set the one-week repo rate at the benchmark interest. The CBRT opted for strong monetary tightening in its meeting in September, due to fluctuations in financial markets. Therefore, the benchmark rate was raised to 24%. The CBRT also performed a series of arrangements utilizing all available instruments to maintain financial stability and provide banks with higher flexibility in liquidity.

In the meanwhile, the Turkish banking sector maintained its stubborn capital structure. Total assets of the banking sector procured TL 3,867 billion as of December 2018, attaining a 19% increase year-over-year. Cash loans extended by the banking sector rose to TL 2,395 billion marking a 14% growth, whereas the contribution of the sector to the Turkish economy amounted for TL 3,175 billion together with non-cash loans. Shareholders' equity of the industry increased by 17% in this period, while the capital adequacy ratio was realized at 17.27% as of December 2018, up from 16.85% in 2017.

In 2018, VakıfBank continued to contribute to the country's economy with a YoY growth of 22.46% in assets that stands for TL 331.4 billion. The Bank's performing loans procured TL 221.6 billion with a considerable above-the-market growth of 21.1%, and loans have once again been the main driver of the Bank's growth. A glance at the breakdown of loans reveals that the real sector was supported strongly by a 26.1% increase in commercial loans, procuring TL 170.2 billion. Retail loans is up by 7.2% and reached TL 51.4 billion.

VakıfBank's total deposits is up by 15.5% to TL 179.4 billion, while demand deposits were up by 19.8% and term deposits by 14.5%. In addition to deposits, VakıfBank diversified its funding sources in 2018, and obtain USD 5.8 billion cost effective and long-term funding from abroad.

VakıfBank's shareholders' equity rose to TL 28.4 billion in 2018, and the net profit for the period is up by 11.6% to TL 4,154 million. The average return on equity was actualized as 16.10%, return on assets as 1.38% and capital adequacy ratio as 16.99%.

We would like to thank our customers, employees, and shareholders for their contributions to our results in 2018.

Respectfully,

TÜRKİYE VAKIFLAR BANKASI T.A.O. BOARD OF DIRECTORS

BOARD MEMBERS

Associate Professor ŞAHAP KAVCIOĞLU
Deputy Chairman – Independent Board Member
Born in 1967 in Bayburt, Dr. Kavcıoğlu graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business Administration. Having graduated from Istanbul University as an Auditing Specialist at the Institute of Accounting, he studied Business Administration at Hastings College in England between 1988-1990. He completed his master's degree and ph.D at Marmara University, Banking and Insurance Institute. In 2014, he received his title of associated professor.

He began his career as an Assistant Auditor at Esbank in 1991. Respectively, Dr. Kavcıoğlu served as Auditor, Branch Manager and Executive Vice President at Esbank. In 2003, he was assigned as Istanbul Regional Coordinator at Halkbank. Moreover, he served as Executive Vice President for Retail Banking, SME Banking, Credit Policy Department, Human Resource and Organization Department respectively till November 2015. On November 1st, 2015, he was elected as a Member of Turkish Parliament for the 26th legislative terms from Bayburt province. During this period, he continued to work as a member of the Parliamentary Planning and Budget Commission and as a member of the Turkish Parliamentary Union (PAB) Turkish Group.

He was the President of Bayburt Educational Culture and Service Foundation for 10 years. He is also a member of the Board of Reconstruction of the Bayburt University Foundation for Development, Galatasaray Sports Club Congress Member, Founder Member of the Graduates Association of Dokuz Eylül University and Graduates Association of Banking and Insurance. Dr. Kavcıoğlu published two books, called "Ticari Bankalarda Sorunlu Kredilerin Yönetimi Çözüm Yolları ve Takibi' and 'Enerji Sektöründe Yatırım Projelerinin Değerlendirilmesi" and many articles. Since August 14, 2018, he has served as Deputy Chairman of the Board of Directors of VakıfBank, as well as a member of the Credit Committee, Audit Committee and Corporate Governance Committee. Dr. Kavcıoğlu is also the Chairman of the Board in Vakıf Gayrimenkul Yatırım Ortaklığı. He continues to be the columnist of the economy page for Yeni Şafak Newspaper. Dr. Şahap Kavcıoğlu is married with 3 children.

MEHMET EMİN ÖZCAN
CEO – Executive Board Member
Mr. Özcan (born in 1960) graduated from Ankara University, Faculty of Political Sciences and Department of Economics and Finance in 1982. He began his career as an Assistant Auditor at İşbank in 1983. Thereafter, he held various managerial positions at Albaraka Türk Katılım Bankası. Between March 2003 and April 2005, he served as an Executive Board Member at Halkbank. During the same period, Mr. Özcan was a representative of the Bank in the IIF (Institute of International Finance) and a Board Member of Demir-Halk Bank/ Netherlands, Halk Yatırım Menkul Değerler and Halk Finansal Kiralama.

Between April 2005 and May 2010, he was a Board member of Ziraatbank; he also served as Chairman and Board member at various Ziraatbank subsidiaries, especially in subsidiary banks abroad. Returning to Halkbank in May 2010, Mr. Özcan served as the Deputy Charmain of the Board of Directors. He was also a Board Member at Demir-Halkbank, Rotterdam. On March 29, 2013, he was elected as Deputy Charmain of VakıfBank and held the positions of Charmain at VakıfBank International AG- Vienna and Vakıf Yatırım A.Ş., Deputy Charmain of Vakıf GYO, Vakıf Leasing and Güneş Sigorta.

Upon the decision of Turkish Republic of Northern Cyprus Cabinet, dated February 14, 2017, he was appointed as the Turkish Republic of Northern Cyprus Central Bank Governor and he resigned from his duty at VakıfBank. Mr. Özcan was appointed as the CEO of VakıfBank on June 9, 2017. He was appointed as a Board member in the General Assembly meeting, held on August 13, 2018 and elected as the CEO of VakıfBank for the second time on August 14, 2018. He is married with 3 children and has advance knowledge of English.

DR. ADNAN ERTEM
Board Member
Dr. Ertem (born in 1965) completed his secondary education in Erzurum. He graduated from İstanbul University, Faculty of Political Sciences and Department of Public Administration in 1987 and got his Ph.D. in the field of sociology in 1997. Beginning his career as an Assistant Auditor at the General Directorate of Foundations in 1988, Dr. Ertem was appointed as Auditor in 1991 and Chief Auditor in 2002. Between 2002 and 2007, he served as the Regional Director at the İstanbul Regional Directorate of Foundations. Between 2007 and 2010, he held the position of Deputy Undersecretary of the Turkish Prime Ministry and in October 2010, he was appointed as the General Manager of the General Directorate of Foundations. Since his appointment on October 27th, 2010, he has been a Board member of VakıfBank. Dr. Ertem is also a member of Remuneration Committee. He is married with two children.

BOARD MEMBERS

DİLEK YÜKSEL
Independent Board Member
Mrs. Dilek Yüksel was born in Niksar, Tokat in 1977. She graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics. Mrs. Yüksel had an education on banking and economy from Banking Law and Research Institute at Ankara University. She worked as the Manager of Press and Public Relations Department in Samsun Atakum Municipality and the Chief of Mamak Municipality's Culture Branch.

He was elected as a Member of Turkish Parliament for the 23rd and 24th legislative terms from Tokat province. In 23rd legislative term of the Grand National Assembly of Turkey (GNAT), she was a member of the Committee on State Economic Enterprises. Mrs. Yüksel also served both as a member and the spokesperson of The Committee on National Defense and member of the Committee on Equal Opportunity for Woman and Man, Head of the sub-committee on Enhancement of Women's Employment in All Fields and Suggestions for Solution in the 24th legislative term. Moreover, she served as a Secretary Member of the Presidency Council of the GNAT for the 24th legislation term. Mrs. Yüksel has advanced knowledge of English. Mrs. Yüksel is married and has two children. She was a member of VakıfBank's Board of Directors in the Ordinary General Assembly on March 29th, 2016 and she is also a member of the Bank's Remuneration Committee and an alternate member of Credit Committee.

ŞAHİN UĞUR
Board Member
Mr. Uğur completed his primary and secondary education in Erzurum. He graduated from Atatürk University, Faculty of Economics, and Business Administration Department in 1979. He began working at VakıfBank in 1984 and served as Assistant Manager, Manager and Head until 2004 and thereafter he held the position of Executive Vice President between 2004 and 2013. Following that, Mr. Uğur served as a Board Member at VakıfBank International AG Vienna, Güneş Sigorta A.Ş., Taksim Otelcilik, Atakule GYO A.Ş., Vakıf Menkul Kıymetler A.Ş., Vakıf GYO A.Ş. which are subsidiaries of the Bank. He was elected as a Board Member of the Bank at the General Assembly meeting on June 9, 2017. Şahin Uğur is also a member Remuneration Committee.

SERDAR TUNÇBİLEK
Independent Board Member
Mr. Tunçbilek graduated from Ankara University, Faculty of Political Sciences. He began his working life as an Assistant Auditor in Emlak Bankası A.Ş. in 1985. Following his position as an auditor for 4 years, he served as the Manager of Loan Marketing, Loan Monitoring and Securities and Branch Manager of Dusseldorf Financial Services for 11 years. He held the position of Secretary General in Egebank between 2000-2001. He was Vice Head of Department in BRSA between 2001-2005 and Group Coordinator and Acting Head of Department at SDIF between 2006-2007. Mr. Tunçbilek also held the positions of Board member, Supervisory Board member and Chairman in the companies under the body of SDIF between 2001-2007.

Mr. Tunçbilek was elected as a Board member of VakıfBank in 2007, he was a member of Credit Committee and Audit Committee for 5 years. He was also a Board member and Chairman of Vakıf Sistem Pazarlama, Vakıf Yatırım Menkul Değerler, Vakıf Menkul Kıymetler ve Vakıf Portföy A.Ş. between 2008-2014. He served as a Board member of Güneş Sigorta A.Ş. between 2014-2017. Mr. Tunçbilek served as the Deputy Chairman of VakıfBank between June 2017 and August 2018. At the General Assembly meeting, held on August 13, 2018, Mr. Tunçbilek was elected as a Board Member of VakıfBank. He is also a member of Audit Committee and a substitute member of Credit Committee.

Dr. CEMİL RAGIP ERTEM
Board Member
Dr. Ertem graduated from Dokuz Eylül University, Faculty of Economics. He has a master's degree in finance and economics at Istanbul University, Faculty of Economics. He was a lecturer at Istanbul University and THK University on knowledge economy, economics politics, alternative growth and money theory. Dr. Ertem wrote many articles on economics-politics, economy and monetary policies. Moreover, he has been a TV commentator about economics and a columnist in various magazines and newspapers, is still a columnist in the newspapers, called Milliyet and Daily Sabah.

Dr.Ertem received the 'MUSIAD Best Economy Writer' award in 2011. He has written four books, called 'Bitişler ve Başlangıçlar', 'Yeni Dünya Düzeni-Wiki Leaks', 'Dünyayı Sarsan 60 Gün' and 'Yatağını Bulan Nehir – Erdoğan Dönemi Ekonomi Politiği'. Dr. Ertem is still the Chief Economic Advisor of President Recep Tayyip Erdoğan and he serves as a Board Member at VakıfBank from the date of August 13, 2018.

BOARD OF STATUTORY AUDITORS

YUNUS ARINCI
Board of Statutory Auditors Member
Yunus Arıncı graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration. He began his professional career as Assistant Auditor at the Prime Ministry in 1997 and later completed his post graduate degree at Indiana University between 2007 and 2009. After serving as Auditor and Chief Auditor at the Prime Minister's Office, he took office as Head of the Audit Committee between October 14, 2009 and July 13, 2015. Yunus Arıncı was appointed Chairman of the Presidential State Audit Committee on July 13, 2015, an office he continues to hold. He was appointed Member of the Audit Committee of T. Vakıflar Bankası T.A.O. on March 19, 2010.

HASAN TÜRE
Board of Statutory Auditors Member
Born in Kızılcahamam/Ankara in 1963, Mr. Türe graduated from Anadolu University, Business Management Department. He began his working life as an Intern Officer at VakıfBank in 1990. He served as the Manager of Vezirköprü Branch / Samsun, Kırşehir Branch, Manager and Board member of VakıfBank Private Pension Fund and also Board member at the subsidiaries of VakıfBank, respectively. Mr. Türe retired from VakıfBank as of February 28, 2014. He still serves as a Board member of Yenimahalle/Ankara Social Assistance and Solidarity Foundation and also various civil society organizations operating in Ankara. Mr. Türe was elected as a member of the Audit Board at the General Assembly of VakıfBank held on June 9, 2017. He is married with 2 children.

ÜST YÖNETİM

MEHMET EMİN ÖZCAN
CEO – Executive Board Member
(Corporate Communication Department – Board of Directors Affairs Department – Executive Assistant)
Mr. Özcan (born in 1960) graduated from Ankara University, Faculty of Political Sciences and Department of Economics and Finance in 1982. He began his career as an Assistant Auditor at İşbank in 1983. Thereafter, he held various managerial positions at Albaraka Türk Katılım Bankası. Between March 2003 and April 2005, he served as an Executive Board Member at Halkbank. During the same period, Mr. Özcan was a representative of the Bank in the IIF (Institute of International Finance) and a Board Member of Demir-Halk Bank/ Netherlands, Halk Yatırım Menkul Değerler and Halk Finansal Kiralama. Between April 2005 and May 2010, he was a Board member of Ziraatbank; he also served as Chairman and Board member at various Ziraatbank subsidiaries, especially in subsidiary banks abroad. Returning to Halkbank in May 2010, Mr. Özcan served as the Deputy Charmain of the Board of Directors. He was also a Board Member at Demir-Halkbank, Rotterdam. On March 29, 2013, he was elected as Deputy Charmain of VakıfBank and held the positions of Charmain at VakıfBank International AG- Vienna and Vakıf Yatırım A.Ş., Deputy Charmain of Vakıf GYO, Vakıf Leasing and Güneş Sigorta. Upon the decision of Turkish Republic of Northern Cyprus Cabinet, dated February 14, 2017, he was appointed as the Turkish Republic of Northern Cyprus Central Bank Governor and he resigned from his duty at VakıfBank. Mr. Özcan was appointed as the CEO of VakıfBank on June 9, 2017. He was appointed as a Board member in the General Assembly meeting, held on August 13, 2018 and elected as the CEO of VakıfBank for the second time on August 14, 2018. He is married with 3 children and has advance knowledge of English.

METİN RECEP ZAFER
(Banking Operations Department – Loan, Customer and Account Operations Department – Treasury Operations Department – Foreign Operations Department)
Metin Recep Zafer was born in 1970 and graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics. He went on to earn his master's degree and Ph.D. from the same university. After starting his banking career in 1992, Mr. Zafer held different positions in the branch, head office, organization, audit committee and financial control operations of various banks. He was appointed Executive Vice President at VakıfBank on June 13, 2006. He is fluent in English.

HASAN ECESOY
(Treasury Management Department – International Banking and Investor Relations Department – Treasury Reporting and Middle Office Department)
Hasan Ecesoy graduated from Uludağ University, Faculty of Engineering, Department of Electronics. He holds a master's degree from İstanbul Technical University, Department of Business Administration as well as a Ph.D. from Marmara University, Department of Economics. Mr. Ecesoy started his banking career in 1993 at Ziraat Bankası Banking School. After working in other various banks, in June 2010, he was appointed Executive Vice President at VakıfBank. Hasan Ecesoy is fluent in English.

ÜST YÖNETİM

MUHAMMET LÜTFÜ ÇELEBİ
(Retail Banking Marketing Department – Retail Banking Marketing Services Department – SME Banking Marketing Department)
Muhammet Lütfü Çelebi graduated from İstanbul University, Faculty of Economics and Administrative Sciences, Department of Economics in 1992. He started his career at T. Vakıflar Bankası T.A.O. as Assistant Auditor in 1995. After working as Auditor between 1998 and 2001, Mr. Çelebi went on to serve as Assistant Manager and Manager in various branches/departments of VakıfBank. From 2011 to 2013, he held the position of Head of Retail Banking. Mr. Çelebi was appointed Executive Vice President at T. Vakıflar Bankası T.A.O. on October 4, 2013. He is fluent in English.

MEHMET EMİN KARAAĞAÇ
(Legal Affairs – Legal Services Department – Credit Risk Liquidation)
Mehmet Emin Karaağaç was born in Konya in 1963 and graduated from Istanbul University, Faculty of Law. He started his professional career as Attorney at Türkiye İş Bankası A.Ş. in 1989. Mr. Karaağaç served as Assistant Legal Counselor and Legal Counselor in various departments at Türkiye İş Bankası A.Ş. until January 2, 2012. He joined VakıfBank Legal Department on January 3, 2012. Mr. Karaağaç assumed the position of Chief Legal Consultant at VakıfBank on October 25, 2013. He has served as Executive Vice President of Legal Affairs, Legal Services and Credit Risk Liquidation since July 2017.

YAKUP ŞİMŞEK
(Corporate Banking Marketing Department – Commercial Banking Marketing Department – Corporate Management Central Branches – Local Governments Banking Marketing Department – Cash Management Operations Department)
Yakup Şimşek graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration in 1992. He began his banking career at VakıfBank as Assistant Auditor in 1996 and served as Auditor from 1999 to 2002. Subsequently, Mr. Şimşek worked as Assistant Manager and Manager in various branches and departments of the Bank. He served as Head of the Bank's Audit Board Department from 2008 to 2010, and as Manager of the East Anatolian Regional Directorate and Manager of the Southeast Anatolian Regional Directorate of the Bank, respectively, after 2010. Mr. Şimşek was appointed Head of Cash Management Department on March 4, 2014. On August 25, 2018, he was appointed Executive Vice President at the Bank.

HÜSEYİN UĞUR BİLGİN
(Human Resources Department – Corporate Development and Academy Department – Affairs Department – Construction, Real Estate and Purchasing Department)
Hüseyin Uğur Bilgin was born in Ankara in 1967 and graduated from Anadolu University, Department of Business Administration. He started his professional career in 1986 as Officer at VakıfBank and went on to serve in different functions in various branches. Subsequently, Mr. Bilgin served as the Manager of Public Relations and President of Board of Directors Affairs Department. He also served as a member of the Board of Directors at the Bank's various subsidiaries. He is currently the Chairman of Taksim Otelcilik A.Ş. H. Uğur Bilgin was appointed President of Human Resources on November 21, 2013 and Executive Vice President in charge of Human Resources and Support Services at VakıfBank on August 1, 2017. He is married and has two children.

ŞEYH MEHMET BOZ
(Lending Policies and Processes Implementation Department – Evaluation and Rating Department)
Şeyh Mehmet Boz was born in Adıyaman in 1967 and graduated from Çukurova University, Faculty of Economics and Administrative Sciences, Department of Economics in 1990. He went on to receive his master's degree from the same Department in 1993. Mr. Boz started his banking career as Assistant Auditor at VakıfBank in 1995. He worked as Deputy Manager at the Istanbul Branch between 1999 and 2002, and as Manager in the Adapazarı Branch from 2002 to 2005. After 2005, he served as Head of the General Accounting and Financial Operations Department, Head of Retirement and Sanitary Affairs Department, Head of SME Banking Department, and Head of the Retail and SME Loan Department. Mr. Boz had served as Regional Manager at the First Regional Directorate of Istanbul since 2015. Şeyh Mehmet Boz was appointed Executive Vice President at VakıfBank on August 1, 2017. He is fluent in English.

ÜST YÖNETİM

İLKER YEŞİL
(Payment Systems Banking Marketing Department – Payment Systems Services Deparment – Digital Banking and Distribution Channels Department)
İlker Yeşil was born in Silifke in 1973 and graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration in 1994. He started his banking career as Assistant Auditor at VakıfBank in 1995. Having served as Manager in various branches, Mr. Yeşil was appointed Çukurova Regional Manager in 2007 and Mediterranean Region Manager in 2010. While serving as Regional Manager at Çukurova Regional Directorate, on August 1, 2017, Mr. Yeşil was appointed Executive Vice President at the Bank.

ŞUAYYİP İLBİLGİ
(General Accounting and Financial Operations Department – Strategy and Planning Department – Subsidiaries and Affiliates Department)
Şuayyip İlbilgi was born in Ceyhan in 1972 and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics in 1994. He started his professional career as Assistant Associate at VakıfBank in 1996. Mr. İlbilgi worked as Manager in the Treasury between 2007 and 2010. In 2010, he became Head of the Treasury. On August 1, 2017, Şuayyip İlbilgi was appointed Executive Vice President at VakıfBank. He also currently serves as Deputy Chairman at VakıfBank International AG.

ERSİN ÖZOĞUZ
(Corporate Loans and Allocation Management Department – Commercial Loans Allocation Management Department – Retail Loans Allocation Management Department – SME and Local Government Loans Allocation Management Department)
Ersin Özoğuz was born in Izmir in 1972. He graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Finance in 1993; he started his professional career at the Turkish Ministry of Finance, İzmir Directorate in the same year. Mr. Özoğuz commenced his banking career as Assistant Auditor at VakıfBank in 1996 and was promoted to the position of Auditor in 1999. Having worked as Manager in various branch locations, he became Regional Manager of Marmara Regional Directorate in 2009. Subsequently, Mr. Özoğuz served as Head of Commercial Banking Department in 2011, Head of Cash Management Transactions Department in 2013, and Head of the Audit Board Department in 2014. Ersin Özoğuz was appointed Executive Vice President at VakıfBank on August 1, 2017. He is fluent in English.

ABDİ SERDAR ÜSTÜNSALİH
(R & D and Digital Transformation Department – Basic Banking Application Development Department – Channel Management and Marketing Implementation Development Department – System Management Department – IT System and Application Support Department – IT Planning and Coordination Department)
Mr. Üstünsalih graduated from the Faculty of Physics at Karadeniz Technical University; Master degrees from Gazi University, Information Technology Department and Selçuk University, Public Administration Department. Mr. Üstünsalih began his career as a programmer in 1991 at VakıfBank. After having served as manager in various branches and departments in VakıfBank, he respectively became the Head of IT, Retail Banking, Operational Banking, Banking Application Development departments. Currently, Mr. Üstünsalih is the Board Member of Güneş Sigorta A.Ş., Deputy Chairman of Vakıf Enerji A.Ş., board member of VakıfBank Private Social Security Fund and auditor of VakıfBank Pension Fund. He was assigned as Executive Vice President in July, 5 2018 at VakıfBank. Abdi Serdar Üstünsalih, married with two children. He has also served in many foundations and associations.

MİKAİL HIDIR
Credit Risk Planning and Monitoring Department
Mr. Hıdır, born in 1979 in Kepsut/Balıkesir, graduated from Ankara University, Faculty of Law in 2000 and worked as a lawyer for some time. In 2003, he began his career as an assistant auditor at VakıfBank. After working as an Auditor, Mr. Hıdır held the positions of Credit Risk Liquidation Manager, Compliance Manager, Head of Loan Monitoring and Legal Proceedings and Head of Internal Audit. In addition, he was the Executive Vice President in Güneş Sigorta and the Board member in VakıfBank International AG (Vienna). Mr. Hıdır was appointed as Executive Vice President on December 13, 2018. He is fluent in English.

INTERNAL CONTROL SYSTEMS EXECUTIVES

MUSTAFA EMRE
Head of the Audit Board
Mustafa Emre graduated from Hacettepe University, Faculty of Science, Department of Mathematics and started his banking career as Assistant Auditor at the Audit Board in 2003. He was appointed Auditor in 2006 and Deputy Head of the Audit Board in 2013. Mr. Emre has served as Head of the Audit Board since July 31, 2017.

ZEKİ SÖZEN
Head of Risk Management
Zeki Sözen graduated from Middle East Technical University, Department of Computer Engineering; he completed postgraduate study at the same institution. Mr. Sözen began his professional career in the EBIS Department on September 9, 1987. Subsequently, he served as Senior Programmer, Assistant Manager, Manager and Head of different departments of the EBIS Department prior to his appointment to Head of Risk Management on August 7, 2008.

DAVUT ŞAYLIĞ
Head of Internal Control
Davut Şaylığ graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration. He started his banking career as Assistant Auditor at T. Vakıflar Bankası T.A.O. in 1995 and served as Manager at various branch locations from 2001 onwards. Mr. Şaylığ was appointed Internal Control Manager in 2014 and then Head of Internal Control on July 5, 2018.

COMMITTEES

CREDIT COMMITTEE

VakıfBank Credit Committee is comprised of two permanent members and two alternate members, in addition to the General Manager. Associate Professor Şahap Kavcıoğlu is the permanent member. Serdar Tunçbilek and Dilek Yüksel are alternate members.

The functions of the Credit Committee are as follows:

- Performing the tasks stipulated in the Banking Law in accordance with the principles set forth by the Board of Directors,
- Soliciting the written recommendation of the Head Office in lending decisions, and providing financial analysis, news and intelligence reports about those applying for loans with respect to recommendations for loans that require the procurement of account status documentation,
- Providing any type of information that may be requested by any of the members of the Board of Directors about the Committee's activities, and cooperating in the performance of any checks and controls since the Committee's activities are overseen by the Board of Directors.

AUDIT COMMITTEE

Associate Professor Şahap Kavcıoğlu and Serdar Tunçbilek were elected to the Audit Committee that was established in order to assist VakıfBank Board of Directors in carrying out its auditing and oversight responsibilities.

The Audit Committee has assumed the following duties and functions:

- Overseeing the effectiveness and adequacy of the internal control systems of the Bank; functioning of these systems as well as the accounting and reporting systems in accordance with applicable laws and regulations; and maintaining the integrity of the information generated by these systems on behalf of the Board of Directors;
- Performing the preliminary assessments required for the selection of the independent audit companies by the Board of Directors;
- Monitoring the activities of the independent audit companies selected by the Board of Directors on a regular basis;
- Ensuring the consolidated functioning and coordination of the internal audit functions of the institutions subject to consolidated audit;
- Receiving regular reports from the departments in charge of internal audit, internal control and risk management systems, and from independent audit companies on the functioning of their roles.

CORPORATE GOVERNANCE COMMITTEE

Corporate Governance Committee of VakıfBank is comprised of Board Member Associate Professor Şahap Kavcıoğlu and Mustafa Turan. The Corporate Governance Committee is responsible for overseeing the Bank's compliance with the Corporate Governance Principles.

The Corporate Governance Committee is in charge of performing the following tasks:

- Overseeing the degree of compliance with the Corporate Governance Principles within the Bank; determining the reasons in case of non-compliance; identifying the negative impacts resulting from failure to fully observe these principles; and recommending corrective actions to be taken in respect thereof;
- Formulating methods that will provide transparency in determining the candidates for the Board of Directors for recommendation to the Board of Directors;
- Undertaking research and developing recommendations about the number of executives in senior management positions;
- Formulating recommendations and monitoring the implementations related to the principles and practices for performance assessment and compensation of Board of Members and executives;
- Recommending to the Board of Directors on the persons to be appointed to the Bank's senior management positions consisting of, or equivalent of, Assistant General Managers;
- Investigating the independence of the members of the Board of Directors and uncovering any conflicts of interest;
- Providing assessments and recommendations pertaining to the structure and operating principles of the committees reporting to the Board of Directors.

REMUNERATION COMMITTEE

VakıfBank's Remuneration Committee was established upon the Board decision numbered 82893 dated January 26, 2012, pursuant to Principle 6 of the Corporate Governance Principles as amended by the "Regulation Amending the Regulation on Corporate Governance Principles of Banks" promulgated in the Official Gazette numbered 27959 dated June 9, 2011. The Committee members are Şahin Uğur, Dr. Adnan Ertem and Dilek Yüksel.

The Remuneration Committee:

- Evaluates remuneration policies and practices in the context of risk management, and recommends on the same to the Board of Directors annually.
- Develops its recommendations regarding remuneration of the members of the Board of Directors and senior executives by taking into the Bank's long-term objectives into consideration; establishes remuneration criteria to be used in relation to the respective performance of both the Bank and Board Members; and recommends the Board on remuneration to be paid to Board Members and senior executives in the light of the extent to which such criteria are met.

ASSET&LIABILITY MANAGEMENT COMMITTEE

The Asset&Liability Management Committee convenes on a weekly basis to evaluate economic and market developments and to discuss the impact of these developments on the Bank's balance sheet. In this context, actions are taken to manage the balance sheet's funding cost and structural risks on foreign exchange, interest rate, liquidity and credit risks at the optimum level within the thresholds set by applicable law; to maintain asset quality; to observe the growth strategies planned by the Bank, and to steer the development of the balance sheet. In order to maintain effective liquidity and funding management, the Committee monitors borrowings and credit extensions that bring short-term cash inflows and outflows, and evaluates measures and actions that will inform on liquidity/fund-raising and extensions in accordance with the Bank's primary objectives and strategies.

The Committee is also in charge of evaluating alignment of the tasks performed by respective departments with the growth strategies embraced by the Bank; monitoring and analyzing profitability and net interest income; and taking actions to update policies, procedures, regulations and other documents. The Committee reviews regularly the efforts and practices related to the decisions taken in previous meetings.

It also reviews legal authorities' decisions with an actual or probable effect on the Bank's operations; and by tracking those novelties introduced by evolving technologies, it defines agenda items to decide on so that the Bank takes proactive actions. When necessary, the Committee meets on short notice and evaluates extraordinary liquidity and funding issues and/or the events occurring in the markets. This enables measures to be taken promptly.

Chaired by the General Manager, the Committee is composed of Assistant General Managers, Head of Strategy and Planning, Head of Risk Management, and Economic Research Department Manager.

MEETING SCHEDULE OF THE COMMITTEES AND ATTENDANCE TO MEETINGS

Board of Directors

It generally convenes every 15 days, but more frequently in case of emergencies. The Board of Directors convened for 78 meetings and passed 1,153 resolutions in 2018.

Credit Committee

It generally convenes every 15 days and holds extraordinary meetings in case of emergencies. Meeting time is determined based on the number of agenda items received by the meeting secretariat and their urgency. The Committee convened for 57 meetings and passed 399 resolutions in 2018.

Corporate Governance Committee

It convenes on the dates specified by the Committee Chairman; generally every three months or at least twice a year, but not to exceed six months between meetings. The Committee convened for four meetings in 2018.

Remuneration Committee

It convenes at least once a year. The Committee convened twice in 2018.

Audit Committee

It convened 22 times in 2018.

Asset&Liability Management Committee

The Committee generally meets weekly; and it convened 46 times in 2018.

HUMAN RESOURCES PRACTICES

VakıfBank is on your side to support national employment...

VakıfBank aims to hire high-caliber new graduates who have the vision to add dynamism to the Bank and seize emerging opportunities in the sector with its recent recruitment drive.

VakıfBank's current human resources policy focuses on employees and attaches immense value to individuals. The Bank's human resources practices are geared toward ensuring that employees are assigned, trained and developed according to their qualifications and competencies that they are given roles/duties suited to their talents and that talent management is performed in the most effective manner. The aim is to cultivate proactive employees who have a strong sense of banking professionality and duty, and embrace the Bank's goals and visions.

Recruitment and Employee Procedures

Digital banking systems are one of the most important factors determining interbank competition today. VakıfBank purposes to adapt to this competitive environment and consolidate its position in the rapidly digitalizing world. Accordingly, VakıfBank aims to hire high-caliber new graduates who have the vision to add dynamism to the Bank and seize emerging opportunities in the sector with its recent recruitment drive.

In 2018, VakıfBank conducted studies to determine staffing requirements. Accordingly, the Bank administered tests and interviews in order to hire the optimum number of new employees to achieve an efficient operation, due to vacancies related to resignation, retirement, and the like, and to meet rising branch/departmental workload. As for the long term, VakıfBank planned and carried out staff recruitment in due consideration of: the needs of departments and commercial branches newly established for the organizational restructuring; retirements, resignations, and the like from existing departments and branches; and increased workload arising from newly opened departments/branches.

In its 2018 recruitment processes, VakıfBank focused on hiring Assistant Associate, considered to be the managers of the future. To select the right, qualified candidates in harmony with the corporate culture, the bank hired a specialized Human Resources Consultancy to operate a pre-interview assessment center. Candidates were then recruited by the Bank depending on these competency-based assessments.

In 2018, VakıfBank closely monitored the changing and evolving world of technology. Accordingly, the Bank carried out improvement and development activities in its IT processes. The Bank is now capable of identifying suitable candidates for the position in question – in addition to interviewing and recruiting the right ones – at a far faster pace than the sector average. In due consideration of staffing plans to recruit IT employees, who play a critical role in digitalizing banking services, VakıfBank successfully recruited IT experts after taking into consideration the demands of departments to whom the Bank's IT Departments report.

In 2018, VakıfBank hired 1,279 new employees to meet the increasing workload of VakıfBank Call Center and the staffing needs of the IT Department. The Bank's head count increased 4.16% compared to the prior year to reach 16,767 as of year-end 2018. The Bank's workforce expanded due to recruitment drives during the year, and new opportunities for subcontractor staff meeting the qualifications determined by the Bank to become permanent employees.

The Human Resources Department collaborated with other departments across the organization to enhance newly recruited staff's commitment to the Bank. This effort aimed to help new hires adapt to the job through a process based fully on awareness and development; accelerate new recruits' adaptation to the Bank and their positions; and give them more information on the corporate culture. During the year, the Department collaborated with the Corporate Academy Department to issue a document for new employees that outlines the essentials of the adaptation process. The Human Resources Department started to send "Welcome Packages" to newly recruited employees, in collaboration with the Corporate Communications Department.

In 2018, in line with the goal of complying with the staffing norm scheme, the Human Resources Department continued to take into account staffing norm data in recruitments and appointments. The aim was to ensure that, as in previous periods, a sufficient number of qualified employees who can adapt to the active work environment are employed as a result of recruitment and placement processes. The Department also ensured that the head count at the branches/ departments is kept at an optimal level to maintain labor productivity.

With various efforts carried out in 2018, the Bank focused on increasing labor productivity. In consideration of the possible risks associated with employees working at the same branch for an extended period, the Bank changed the work location of 700 long-time staff members in 2018 in order to prevent such risks and boost employee productivity. As a result, these employees were observed to add value to banking processes with the work they perform in their new branch, gain experience about diverse customer profiles and develop themselves, and yield a higher productivity due to rotation.

With a view toward preventing the risks posed by accumulated annual leave, the Bank undertook efforts at two different points in 2018 to encourage employees to use their leave. During the first months of 2018, employees with 50 to 100 days of accumulated annual leave were encouraged to plan and take at least two weeks off. Meanwhile, employees with over 100 days of accumulated annual leave were encouraged to plan and take at least three weeks off.

In the last months of the year, the Bank encouraged employees with 50 days or more of accumulated annual leave (according to the aforementioned analysis in the first months of 2018), to plan and take one to three weeks off, after taking into account the leave already taken during the year.

These efforts helped reduce the accumulated annual leave days and also enabled employees to enjoy their right to leisure and increase their work motivation.

Employee Relations and Discipline

In 2018, Bank created employee sheets keep a complete record of Bank staff information, check their data, have them evaluated and graded by their managers.

Improvements were recorded in audits related to payments to subcontractor employees working at the Bank.

To enhance relations with companies providing outsourced support services, the Human Resources Department analyzed the Labor Law, Social Security and Occupational Health and Safety processes. The Department also conducted the necessary checks on employee files, payrolls, SSI entry and exit documents, and the like within the framework of this legislation. To further improve the existing processes, necessary information was provided to these companies.

As for disciplinary procedures, in order to eradicate problems that arise in monitoring financial liability processes, the Head of the Audit Board, Chief Legal Counsellor, and Head of General Accounting and Financial Affairs convened at a meeting and established a new monitor/program. This project has reached the testing stage and work is ongoing.

In dialogue and collaboration with other relevant departments, the Bank initiated a project to transfer all personal documents demanded by employees to the VIT infrastructure. The mentioned department continues work on this project.

The fees of CMB License Extension training programs were updated to ensure that all employees duly pay their fees. From now on, the license training fees of staff members who require such licenses will be covered by the Bank.

In 2018, the Law on Labor Courts and Labor Law were amended to make the arbitration processes obligatory before taking a case to a court; the Bank received such applications. As such, a process was initiated to deal with this development; this effort is underway according to plans.

Audits for OHSAS 18001 Occupational Health and Safety Management System certification, initiated in March, were completed with success. In October, VakıfBank became the first bank to receive OHSAS 18001 Occupational Health and Safety Management System certification, thus confirming its compliance with international standards.

At the Head Office premises and five Regional Directorates, the Bank placed turnstiles at the entrances to check staff compliance with working hours. At the branches, EBİS initiated the tender process for the program PDKS. The appropriate company was thus identified by the Procurement Department. As a result, efforts were made to ensure that all employees are in compliance with working hours.

Career and Performance

The Career-Based Salary Management System, which has huge importance for VakıfBank's strategic goals for 2018, was initiated on January 1, 2018. Employees were given the opportunity to rise vertically in terms of position, and also to shift horizontally to a position. The aim is for staff members to determine their own career path according to their competences and performance success. Employees with an equal work load were remunerated in line with their performance.

İNSAN KAYNAKLARI UYGULAMALARI

VakıfBank is on your side

by supporting personal and corporate development...

In line with its human resources policy, VakıfBank supports employees' progress in their career, nurtures motivation and work satisfaction, and boosts work efficiency with various training programs.

In 2018, VakıfBank enhanced the competency assessment process, which is carried out once a year. The process was modified with a view toward evaluating the employee through a systematic perspective under the new career and salary management system, and encouraging the staff's continuous development. During the year, the Bank conducted the competency assessment in accordance with a behavior-based approach, and in line with the competencies determined according to the staff's respective position.

According to the promotion provisions of the relevant article of the Career and Salary Management System Regulation and based on behavior-based competence assessment results and individual performance success, VakıfBank promoted 2,719 employees in total to the next level in 2018.

To ensure that the Bank's corporate strategic objectives are embraced by all employees and that the staff focuses together on these objectives, VakıfBank's Head Office departments were given work objectives related to corporate strategy. In addition, department performance started to be measured in six-month intervals.

Under the Career and Salary Management System, VakıfBank updated and restructured the title promotion scheme in order to achieve the Bank's strategic goals for corporate development and growth, and to bolster employees' individual development in 2019. Furthermore, under the Collective Labor Agreement that will establish the financial and social rights of Bank employees, whose talks will start in May 2019, the Bank will expend efforts to set salaries at a level in accordance with current market conditions.

VakıfBank plans to conduct the competence assessments for 2019 by taking into account employee work positions as well as the competencies designated according to their areas of expertise. The staff will be given the opportunity to conduct a self-assessment. With the completion of its organizational restructuring, the Human Resources Department plans to step up organizational backup efforts for the critical positions in 2019 in order to ensure staff planning.

To continue VakıfBank's synergy with its subsidiaries, in line with the Bank's overall strategy, the Human Resources Department will establish human resources collaborations for career and salary management and performance management in fiscal year 2019.

Training

In line with its human resources policy, VakıfBank supports its employees' progress in their career, fosters motivation and work satisfaction, and boosts work efficiency via various training programs. Accordingly, in line with the Training Needs Assessment, VakıfBank conducted 3,141 classroom training sessions on 603 different topics with 64,030 employees in 2018. This effort aimed to achieve the competencies expected by the Bank and to meet employees' individual requirements. Some 296,214 participants completed e-learning modules offered on 143 topics, corresponding to 59 hours of training per employee.

VakıfBank implements a comprehensive training program designed to ensure that employees acquire the necessary experience and competencies along their career path. The Bank also cooperates with universities in designing training programs and establishing a question bank within the scope of these programs.

VakıfBank set up the In-House Trainer System in order to tap into the Bank's internal resources for training activities and to use specialized staff members as in-house trainers. For 2019, the Bank aims to boost the number of employees who are involved in the In-House Trainer System after completing training, and increase the trainings delivered by such trainers.

In its teaching processes, in addition to such in-class trainings, VakıfBank uses a mixed learning model that includes next generation digital learning experiences. In 2019, in addition to the current e-learning trainings, the Bank will offer video training and mobile learning channels to employees.

Corporate Development

With its strong capital structure, asset quality and extensive branch network in the Turkish banking sector, VakıfBank has adopted the principle of rendering effective, efficient and customer-oriented services. Accordingly, in order to ensure the continuity of its robust organization, the Bank increased the total number of its branch locations from 924 to 948 in 2018.

In 2017, VakıfBank structured its marketing departments according to segments with a view toward delivering more effective management through specialization. To create branch departments corresponding to the relevant Head Office departments, the Bank opened 35 commercial branches in the first half of 2018. With the establishment of commercial branches, VakıfBank ensured that customers in the commercial segment receive higher quality services, and that branches reporting to Regional Directorates focus more on the SME segment.

It is critically important for banks today to monitor changes in general laws, rules, regulations, especially anti-money laundering law, and adapt swiftly and fully to national and international changes in the sector – in brief, legal compliance, anti-laundering, risk control and monitoring/evaluation functions VakıfBank established the Compliance and Legislation Department in order to increase its efficiency in the mentioned areas and to ensure effective management by expanding its areas of responsibility.

The Bank established Customer Experience and Management Departments for the retail and SME segments. This effort was aimed at offering prioritized services to customers in the Retail and SME segments, monitoring customer needs more closely and producing solutions, measuring customer behavior to determine areas of improvement, and boosting customer profitability and productivity.

One of the major factors affecting employee satisfaction is the quality and efficiency of the relationship with the other departments within the organization. VakıfBank Internal Customer Satisfaction Survey was conducted to measure and evaluate employee satisfaction based on the service that they receive from the Head Office Departments; manage the processes between departments with a mutual business relationship in a more accurate and faster manner; increase internal customer satisfaction in the Bank; differentiate the Bank in the sector among the competition; and support VakıfBank's continuous improvement.

VakıfBank also carried out an Employee Loyalty Survey to measure the loyalty of the Bank's staff; demonstrate how much enthusiasm and motivation employees have to contribute to the success of the organization; and identify clear priorities to determine which areas to invest in to boost employee loyalty. According to the survey results, VakıfBank enjoys an employee loyalty level far higher than the sector and Turkey average. The Bank's organization continued to display an openness to change and adapt to the innovations required by modern banking. The R&D and Digital Transformation Department was set up and operationalized to identify new technological trends in evolving information technologies. The Department also aims to carry out the necessary work to produce and monitor competitive and pioneering digital transformation projects.

Based on the results of the Internal Customer Satisfaction Survey and Employee Loyalty Survey conducted in 2018, improvement areas will be identified, and necessary efforts will be made to increase the satisfaction of employees and their loyalty to the Bank.

As customer needs and behaviors change, VakıfBank started to redesign its branches in 2018, in response to the requirements of today. Under the project dubbed "Branch Transformation," the Bank works toward creating a new branch business service model; supporting branches with architectural and visual design; enhancing customer and employee satisfaction and experience; and directing customers toward digital channels in the most efficient way.

The branch transformation process will take into account customer requirements. Branch transformation will include simplifying the physical structure and intra-branch transaction processes; shortening long transaction trees; digitally integrating processes to support the paper-free banking model; establishing digital areas within the Bank to encourage customers' migration to the digital and increase their propensity toward alternative digital channels. As a result, operational transactions in branches will be reduced and a favorable working environment will be provided for transition to the sales-oriented business model.

OUTSOURCED SUPPORT SERVICES

Pursuant to the Banking Law numbered 5411 and Communiqué on Bylaw Regarding Procurement of Support Services by the Banks dated 05.11.2011 and numbered 28106 VakıfBank procures support services from various companies in order to increase its service quality and maximize customer satisfaction.

The services are procured from the following enterprises in the fields of private security and cash transportation under Law numbered 5188 on Procurement of Private Security Services, information systems, various campaigns, merchant authentication, call center services within the scope of improving Bank's registries, retail marketing and data-logging activities, valuable paper printing, human resources, and mortgage transactions, provided that management, access, control, audit and update thereof are at discretion of the Bank:

Private Security and Cash Transportation Services Procured from Companies under Law Numbered 5188 on Private Security Services:
- Loomis Güvenlik Hizmetleri A.Ş.
- Desmer Güvenlik Hizmetleri A.Ş.
- Ekol Grup Güvenlik Ltd. Şti.
- Securitas Güvenlik Hizmetleri A.Ş.
- Bakkaloğlu Özel Güvenlik Ltd. Şti.

IT Systems and Software Services:
- Asseco See Teknoloji A.Ş.
- Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Diebold Nixdorf Teknoloji A.Ş.
- Etcbase Yazılım ve Bilişim Teknolojileri A.Ş.
- Experian Bilgi Hizmetleri Ltd. Şti.
- Global Bilişim Bilgisayar Yazılım Danışmanlık San. ve Tic. Ltd. Şti.
- ICS Financial Systems Ltd.
- Infina Yazılım A.Ş.
- Innova Bilişim Çözümleri A.Ş.
- Key İnternet Hizmetleri Bilgisayar Yazılım Don. Mühendislik Müş. San. ve Tic. Ltd. Şti.
- Kobil Bilgisayar Enerji ve Elektrik Sistemleri San Tic. Ltd. Şti.
- Optiim İş Çözümleri A.Ş.
- Pronet Güvenlik Hizmetleri A.Ş.
- Riskaktif Danışmanlık Eğitim Yazılım San Tic. Ltd. Şti.
- Suntec Business Solutions FZE
- Troy TRM Enformasyon ve Yazılım Ltd. Şti.
- Uzman Bilişim Danışmanlık A.Ş.
- Vbase Bilişim Teknolojileri Tic. A.Ş.
- V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Dan. Hiz. Tic. A.Ş.
- Verifone Elektronik ve Danışmanlık Ltd. Şti.

Call Center Services:
- CMC İletişim Bilgisayar Reklam ve Dan. Hiz. San. ve Tic. A.Ş.
- Assisst Rehberlik ve Müşteri Hizmetleri A.Ş.

Retail Marketing and Data Entry Services:
- Infoverify Danışmanlık Hizmetleri A.Ş.
- T.C. Posta ve Telgraf Teşkilatı Genel Müdürlüğü (Turkish Post)
- 14 Car Dealers

Printing of Negotiable Instruments:
- MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.

Outsourcing:
- Vakıf Pazarlama Sanayi ve Ticaret A.Ş.
- GNY Tanıtım İletişim Hizmetleri ve Dış Tic. Ltd. Şti.
- OBSS Bilişim Bilgisayar Hiz. Dan. San. ve Tic. Ltd. Şti.
- Triotech Yazılım Ltd. Şti.
- Link Tera Bilgi Teknolojileri A.Ş.

Credit Card Distribution Services:
- Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.

Printing of Deposit and Credit Card Account Statements:
- Provus Bilişim Hizmetleri A.Ş.

Mortgage Transactions Services:
- Vakıf Gayrimenkul Değerleme A.Ş.

Executive Assistant Services:
- Türkmenler Tem. İnş. Med. Ymk. Gıda San. ve Tic. Ltd. Şti.
- Azizer İnş. ve Taahhüt Temizlik Hizmetleri Gıda San. ve Tic. Ltd. Şti.
- Yentürk İnş. Oto. Medikal Nakliye Temz. San. ve Tic. Ltd. Şti.
- Efor Temz. İşl. Gıda Tıb. Malz. ve Med. İnş. Ltd. Şti.

TRANSACTIONS WITH THE BANK'S RISK GROUP

The details of the transactions with the Bank's risk group in 2018 and explanations thereon are presented in the annual report in the footnote numbered VII to Section 5 of the Independent Auditor's Report on Unconsolidated Financial Statements.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Türkiye Vakıflar Bankası T.A.O. ("VakıfBank" or "Bank") are bound by the Corporate Governance Principles established by the Banking Legislation, Capital Markets Legislation, Turkish Commercial Code and other relevant regulations. VakıfBank embraces the principles of equality, transparency, accountability and responsibility as stipulated in the Corporate Governance Principles ("Principles") published by Capital Markets Board (CMB).

The Bank is in compliance with the following Corporate Governance Principles mandatory for banks that are included in the annex to the Communiqué on Corporate Governance numbered II-17.1, as published in the Official Gazette dated January 3, 2014, numbered 28871: (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5.12.), (4.5.13.), (4.6.2.) and (4.6.3.)

An amendment was made to the reporting format for Compliance with Corporate Governance Principles as required by the Communiqué on Corporate Governance numbered II.17.1; and two reporting templates were introduced by the Principle Decision of the CMB dated 10.01.2019, numbered 2/49. The amendments include provision of information on existing corporate governance practices via the Corporate Governance Information Form (KYBF), and reporting the status of compliance with voluntary principles via a Corporate Governance Compliance Report (URF) on the Public Disclosure Platform (KAP). Having adopted the new amendment, the Bank disclosed, concurrently with the Annual Report, its Compliance with Corporate Governance Principles using these templates, by disclosing it to the public on www.kap.gov.tr, in the Corporate Governance section of Türkiye Vakıflar Bankası T.A.O page three weeks prior to the date of the Ordinary General Assembly.

The KYBF form informs shareholders on the current corporate governance practices of the Bank, under the headings of general assembly, voting rights, minority votes, dividend rights, public disclosure and transparency mechanisms, stakeholders, and the Board.

The Bank's compliance with the voluntary corporate governance principles are explained in detail in the URF form, under the principle of "comply or disclose." Principles which are not fully complied with, and the related explanations are provided as follows. The Bank faced no conflict of interest stemming from failure to fully implement the principles outlined below that were not mandatory to be implemented.

- Regarding advisory principle numbered 4.3.9; such a policy is not in place at the Bank as there is not yet a minimum target rate of 25% determined for female members. However, there is 1 female member among the current Members of the Board.
- Regarding principle numbered 4.5.5; Board Members assume duties in more than one committee since the number of the members of the committees of the Board of Directors is greater than the number of the members of the Board of Directors as stipulated in the principles of the Capital Markets Board Corporate Governance Principles and Banking Regulation and Supervision Agency. Committees are composed of at least 2 members.
- Regarding principle numbered 4.6.1; no performance assessment is carried out for the Board of Directors, but it is planned to be made in the future.
- Regarding principle numbered 4.6.5; the fees provided to the members of the Board of Directors and executive directors are not disclosed to the public on an individual basis in the annual report. The disclosure is instead made collectively in the 2017 annual report under section "Monetary Benefits to the Board of Directors" on page 123.

Şahap KAVCIOĞLU
Chairman

Mustafa TURAN
Member

STATUTORY AUDITOR'S REPORT

Türkiye Vakıflar Bankası T.A.O. To: General Assembly of Shareholders;

This audit report was prepared pursuant to the provision of Article 31 of Türkiye Vakıflar Bankası T.A.O.'s Articles of Incorporation.

The Bank is open to public scrutiny, and external audits are undertaken routinely by the Banking Regulation and Supervision Agency ("BRSA") and also by the independent auditor as per the Article 30 of the Bank's Articles of Incorporation.

In the current period, the Bank's assets increased by 22% and reached TL 331,355,641 thousand, while the loans, constituting a significant 67% in the assets, reached TL 221,546,517 thousand growing by 20%. The deposits – in the pursuit of broadening the base – is up by 16% amounting for TL 179,407,907 thousand. Demand deposits is up by 20%, while savings deposits increased by 34%, amounting to TL 87,822,090 thousand. As a consequence of these growing figures, our Bank's profit increased by 11.57%, higher than the sector average, and reached TL 4,154,322 thousand. An important parameter for the banking sector, the Capital Adequacy Ratio, rose by 147 basis points YoY, attaining 16.99%.

Continuing to support to the economy with strong funding sources and structure, the Bank opened 38 new branches reaching a 951 branches and 16,767 employees in total. As for continuous development, higher participation rates were observed in intensive on-the-job trainings, and domestic and international training programs organized by external institutions.

The financial information related with the annual activities of the Bank are presented in conformity with the procedures and principles in force under the Banking Law numbered 5411, Turkish Commercial Code numbered 6102, Capital Markets Law numbered 6362, generally accepted accounting principles, relevant legislation and the Regulation on Internal Systems.

The internal audit of the Bank is performed by the Audit Board, Internal Control and Risk Management Departments.

It was concluded that the Bank had an annual audit plan with regard to on-site audits conducted in the Bank covering domestic branches, international branches, Head Office departments and consolidated subsidiaries; and that such audits were conducted within the framework of the audit standards including the control of (i) operational transactions regarding Bank's operations; (ii) the Bank's communication channels and information systems, (iii) financial reporting systems, (iv) implementation of business processes; and (v) compliance.

Within the framework of the Auditing Activities, in general terms and briefly:

Within the Scope of the audits conducted on-site;
Studies on the risks that the Bank is exposed to, relevant controls, priority areas, matters that will be considered, and the magnitude of risks, are carried out by audit functions in particular are submitted to the Audit Committee for approval. Promptly after the start of audit activities at Branches/Departments, auditors evaluate the data involved in the work schedule of branches/departments, while activities are systematically carried out regarding risky fields and audit areas.

Within the scope of centralized audit activities;
The Bank's transactions and processes are periodically checked by risk control matrices, and certain risk points are monitored throughout the year by the central audit team using predefined daily, weekly and monthly inquiries. Findings are inspected in detail by the auditors who are already working on-site at branches/departments, and the conclusions on the inspection of physical documents are reported through the centralized audit system.

Within the scope of management statement efforts;
Regarding information systems and banking processes, i) all the functions within the Bank carry out activities to enhance the effectiveness of systemic or manual control points prepared for reconciliation of their activities; ii) findings are communicated to the departments where there is lack of control (if any) so that they take action for relevant issues; iii) the management statement is prepared in order to provide assurance for the current situation and the activities carried out within this framework, by evaluating the effectiveness, adequacy and compliance of the information systems and banking processes in the audit period for relevant controls; and iv) any act of fraud is reported during the audit period if the Bank employees at any level ever get involved in fraudulent activities.

Within the scope of the audits conducted on information systems;
Taking into account the banking processes as well, information systems (such as applications, systems, servers, databases) used in these processes were audited. Cobit processes were taken into consideration during the audit, and documentation on information systems and control mechanisms were shared with the audit company. The design and operational effectiveness of the procedures were tested and assessed in terms of their significance. The actions taken for the findings discovered in penetration tests were monitored.

Within the scope of the Regulation Regarding Banks' Procurement of Support Services;
Audits and assessment were made to check whether the companies providing the Bank with support services comply with the stipulated terms and conditions.

Within the scope of compliance controls;
It was concluded that; amendments to law were tracked and efforts undertaken regarding the Bank's compliance. Transactions performed in the Bank were inspected by using programs and controlled in line with the legislation of the Financial Crimes Investigation Board (MASAK).

All these matters are shared with the Bank's senior management.

It was consequently observed that the Bank's audit mechanisms function efficiently and strict attention is paid to keep any risky and fraudulent transactions under control through continuous on-site and centralized audits performed by internal control departments as well as on-site and centralized audits performed by the Bank's internal auditors, in addition to the external audits, along with external audits. In 2018, the issues identified by the internal control departments were presented also in the Management Statement which was prepared in compliance with the Communiqué of BRSA and submitted to the aforementioned Organization after being approved by the Board of Directors.

Respectfully,

Yunus ARINCI **Member of the Audit Board**	**Hasan TÜRE** **Member of the Audit Board**

ASSESSMENT OF THE INTERNAL SYSTEMS AND 2018 OPERATIONS

INTERNAL AUDIT ACTIVITIES

Concerning the activities of the Bank's head office departments, domestic and foreign branches, subsidiaries and Information Technology Department, the Audit Board looks into the following:

- Whether these activities are carried out in conformity with the Banking Law, other legal regulations, internal regulations, strategies, policies, principles and objectives;
- Accuracy of the financial information and adequacy of practices in place to protect the assets;
- Effectiveness of internal control and risk management systems.

The Audit Board also audits the persons and organizations from which support services are received within the framework of related regulations. Additionally, it inspects and investigates irregular and unlawful transactions that may have been performed by the Bank employees as well as any fraudulent, deceitful and counterfeiting transactions against the Bank by third parties.

The Audit Board conducts audit activities in the form of on-site audits, centralized audits, and information systems and process audits with a risk-based approach. On-site audits are performed at departments, branches, consolidated subsidiaries and the persons and entities which the Bank procures support services from, in line with the Bank's objectives and strategies, and within the scope of the risk-based annual audit plan prepared considering the funding sources of the Audit Board.

Within the scope of the 2018 Internal Audit Program, 370 branches, 68 satellite branches, 3 foreign branches, 37 head office departments and 10 affiliates were audited. COBIT processes were audited at the Head Office information systems departments. Furthermore, the audit on information systems was conducted at 4 affiliates and 20 service providers. ICAAP audit was performed; management statement activities were carried out; service providers were evaluated as part of the annual evaluation, and the audit of risk center data transfer process was completed.

Controls on information systems and banking processes are audited as part of information systems and process audit activities.

Additionally, accuracy of the data used in the Internal Capital Adequacy Assessment Process Report, adequacy of the systems and processes, and whether or not the data, systems and processes enable accurate information and analyses, are audited within the framework of the procedures and principles determined by the Audit Board.

In the light of the audits, inspections and investigations conducted by the Audit Board; proposals are made for the correction of any detected issues, for taking measures to prevent similar events, for improving the processes and for enhancing the internal control system, while the actions taken regarding these issues are followed up.

Within the scope of centralized audits; computer-aided remote auditing techniques (e-auditing techniques) are used for early detection of situations with potential risks and for taking timely measures in branches and departments.

The Audit Board only provides an advisory service on the issues requested by the Bank, and this does not mean these issues are approved.

The Audit Board acts on the principle of continuous development. Internal and external training programs are planned to support professional and personal development of auditors. Auditors are also trained before performing audit activities that require special expertise. Certification, internationally recognized certificates in particular, is encouraged.

INTERNAL CONTROL ACTIVITIES

The Internal Control function is structured to ensure i) establishment and coordination of a healthy internal control environment; ii) protection of the Bank's assets; iii) effective and efficient performance of the activities in conformity with the Banking Law and relevant legislations, internal policies and rules as well as banking practices, iv) reliability and integrity of the accounting and financial reporting system; and v) timely accessibility of information. Accordingly, the Bank's domestic and foreign branches and head office departments are subject to internal control activities based on a risk-centered approach.

Domestic branch controls are conducted on site or from the Head Office within the framework of the control programs organized every year according to risk conditions. Additionally, real time controls are carried out for transactions performed at branches. In 2018, internal control activities were performed at 864 domestic branches.

Internal control of foreign branches is carried out according to an annual plan. In 2018, internal control activities were performed at 3 foreign branches. On the other hand, permanent controllers carry out control activities in 18 Head Office departments as necessary and where there is a large amount of operational transactions. Controls are also conducted to ensure information systems activities are performed safely and in conformity with the rules established by the Bank.

Findings and recommendations under all these control activities are reported and shared with relevant departments as the actions taken are monitored.

The Internal Control function i) controls the distribution of roles and responsibilities and the functional classification of tasks to identify, measure and prevent the Bank's risks; ii) sets up auto-control mechanisms in all processes, procedures and projects to be deployed in a manner that will cover potential risks; and iii) establishes and enhances system controls. Activities are carried out to increase the effectiveness of control activities and minimize operational risks.

In conformity with the objectives and strategies of the Bank; changing needs, risks, regulations and technological developments are followed and necessary adjustments and updates made to ensure the effectiveness and functioning of the internal control system. Activities continue with the aim of enhancing the internal control culture in the Bank.

COMPLIANCE DEPARTMENT'S ACTIVITIES

Compliance and Regulation Department carries out activities in order to fulfill the responsibilities stipulated in the legislation issued by the Financial Crimes Investigation Board (MASAK) within the scope of "Prevention of Laundering Proceeds of Crime and Financing of Terrorism," and to comply with international principles and rules on the same. Pursuant to the "Regulation On Program of Compliance with Obligations Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism," and in order to ensure that the Bank's obligations are fulfilled; necessary policies and procedures are established with the aim of identifying customers, classifying them by risk categories and monitoring them, and informing on suspicious customer transactions. Controls are performed on whether these policies and procedures are implemented; and opinion/approval is presented for risky sector/country transactions. The Financial Crimes Investigation Board (MASAK) is informed on the transactions determined to be suspicious in the investigations and evaluations made within the framework of a risk-based approach regarding potentially suspicious transactions for the Bank that are detected as part of monitoring and controlling efforts or forwarded via channels like branches etc. In order to make sure that the Bank healthily keeps track of international sanctions, the blocked persons list, covering the sanctions of international organizations and institutions such as the United Nations, European Union, and the Office of Foreign Assets Control (OFAC) is used in investigations and controls. Compliance-related duties and activities are performed in coordination to prevent laundering the proceeds of crime and financing of terrorism at domestic and foreign branches of the Bank. For foreign branches subject to a compliance program prepared by the Bank as per the laws of the country of operation, compliance risks that may arise from the regulations in foreign countries are monitored by a member of the employees in charge of controlling compliance with applicable regulations. Aforementioned activities are carried out in coordination with business departments. In-class and online training courses are regularly provided to the Bank's employees in order to constantly raise the awareness for, and strengthening the culture of, preventing laundering of proceeds of crime and financing of terrorism.

LEGISLATION MONITORING AND EVALUATION ACTIVITIES

The Compliance and Regulation Department carry out activities in order to monitor relevant legislation on banking activities and manage the compliance process in an effective and efficient manner.

Recent developments in legislation and banking practices related to banking activities are monitored; the impacts of changes to legislation on the banking activities are interpreted. Within this scope, the measures to be taken by the Bank and changes to be made in the Bank's internal legislation and practices are identified, and written information provided to the relevant departments of the Bank. These departments are requested to take necessary measures, in addition to being monitored. Furthermore, relevant departments are informed on draft banking regulations, and thus necessary procedures are initiated before they enter into force.

Tasks for regulatory compliance controls are carried out within the scope of the "Regulation On Banks' Internal Systems and Internal Capital Adequacy Assessment Process." Accordingly, (i) compliance with regulatory changes are coordinated; (ii) measures taken, practices changed and internal procedures formulated to align the Bank's internal procedures and practices with such regulatory changes are monitored and controlled in terms of regulatory compliance; (iii) necessary corrections and changes are made; (iv) necessary measures are taken to ensure prompt and full compliance with laws; (v) controls are performed for regulatory compliance of new products and services; and (vi) the process of updating the internal procedures and guidelines are coordinated within the Bank.

Notification and coordination processes are run to ensure the Bank participates in the meetings held by the Banks Association of Turkey. The Bank also joins, together with relevant functions, the Working Groups formed within the scope of regulatory compliance activities. Participation is ensured in the meetings of Working Groups. When the Association requests the Bank's opinion on a specific subject, opinions are gathered from business departments and are evaluated to express an opinion on behalf of the Bank. Information on the activities carried out under the Association, regulatory arrangements communicated by the Association, and instructions and information received from the Agency (BRSA) are all disseminated to relevant business departments, and actions taken are monitored.

There are agreements in place on exchange of information between the Republic of Turkey and the United States of America and with OECD countries to enhance international tax compliance. Legislation regarding these agreements is monitored. Relevant business departments are assigned to ensure compliance with such legislation, and the efforts undertaken by business departments are followed up. Efforts include those on compliance with the Foreign Account Tax Compliance Act (FATCA), and Common Reporting Standards (CRS).

Additionally, compliance of foreign branches with the legislation in their respective countries is monitored by a member of the employees assigned at those branches in charge of the aforementioned matters and reporting on compliance.

INFORMATION ON LEGISLATIVE AMENDMENTS THAT MIGHT AFFECT THE BANK'S ACTIVITIES MATERIALLY

In January 2017, the Public Oversight Authority (KGK) published the TFRS 9 Financial Instruments Standard, which replaces TMS 39. TFRS 9 entered into force on January 1, 2018. Pursuant to the BRSA Regulation on "Procedures and Principles for Classification of Loans and Provisions to be Set Aside" as published in the Official Gazette dated 22 June 2016 with numbered 29750, it is mandatory for Banks to implement TFRS 9 as of 1 January 2018. The Bank started to implement TFRS 9 as of January 2018.

According to the BRSA's Regulation on the "Amendment to the Regulation on Classification of Loans and Procedures and Procedures for Provisions to be Set Aside," the classification of the receivables amounting to 100 Turkish Lira or less as non-performing loan is in discretion of banks; and banks must document the assessment results relating to loans which exceed the amount of one million Turkish Liras and the highest first two hundred loans in terms of amount with their justifications and make them available for audit. Additionally, loans that are classified pursuant to this Regulation must be monitored according to their reference in the accounts determined in the Communiqué on Uniform Chart of Accounts and Prospectus published in the Official Gazette dated 20.09.2017, numbered 30186.

A regulation was issued in the Official Gazette dated 24 June 2018, numbered 30458, following the Council of Ministers' Resolution numbered 2018/11828, on "Definition, Properties and Classification of Small and Medium Sized Enterprises." With this regulation, for an enterprise to be classified as an SME, the net annual sales turnover or the cap for the financial balance sheet was raised from TL 40,000,000 to TL 125,000,000. For an enterprise to be classified as a micro enterprise, the related cap was raised from TL 1,000,000 to TL 3,000,000. For small enterprises, it was raised from TL 8,000,000 to TL 25,000,000, and for medium sized enterprises from TL 40,000,000 to TL 125,000,000. Additional amendments and changes were also made by the Regulation regarding the data to be considered in classification of enterprises.

Pursuant to the Regulation on "Amendment to the Regulation on the Banks' Loan Transactions," published in the Official Gazette dated 15 August 2018, numbered 30510, maturity of consumer loans may not exceed thirty six months, maturity of vehicle loans and loans where the collateral is a vehicle may not exceed forty eight months, maturity of loans extended for purchase of mobile phones, tablets and computers may not exceed six months, and the same maturity limitations shall apply in restructuring these loans. However, loans extended to consumers for household purchases and for purchases of goods and services in connection with household renovations provided that renovation is made for the integral parts of the house according to Article 684 of Turkish Civil Code numbered 4721 dated 22.11.2001, leasing of houses to consumers through financial leasing, loans for other real estates, loans for financing tuition fees, loans for financing debt to public entities and institutions extended on the condition of direct repayment to the account of the same, and loans extended for refinancing of these loans, are in included in the scope of the Regulation.

It is also stipulated that; if the debtor of a retail loan extended before 01.09.2018 requests that the remainder of the debt be restructured in one year following 01.09.2018, it may be restructured with a maturity no longer than forty eight months; and in the event that an additional loan is extended to the debtor for the purposes of restructuring, the maturity of such additional loan may not exceed thirty six months.

"The Decree numbered 2018/11185 on the Amendment to the Decree Numbered 32 on Protection of the Value of Turkish Currency" was published in the Official Gazette numbered 30312 on January 25, 2018. The Decree prohibits extension of foreign currency indexed loans to the residents of Turkey and utilization by the residents of Turkey of loans in foreign currency from domestic or international institutions. The Decree governs matters including prohibition on extension of foreign currency loans by domestic institutions to the Turkish residents who do not generate income in foreign currency in cases other than certain exceptions, and allowing those residents not engaged in exports and service activities generating income in foreign currency to borrow loans in foreign currency from domestic institutions if their loan balance is more than USD 15 million. Additionally, Leasing, Factoring and Financing Companies are allowed to borrow foreign currency loans domestically from banks and from each other without any limitations on the amount and maturity. Public entities and institutions are allowed to utilize foreign currency loans from banks and leasing, factoring and financing companies registered in Turkey, without any limitations on the amount and maturity. The Decree includes provisions on allowing persons generating foreign currency income to utilize loans in FC domestically subject to certain conditions and to borrow the same from international institutions subject to certain conditions, in addition to other matters governed by the same Decree.

The Communiqué on the "Amendment on the Communiqué (No: 2013/15) on Reserve Requirements" was published in the Official Gazette dated 9 August 2018 with numbered 30504, according to which maximum 40 per cent of mandatory reserves to be held for Turkish Lira liabilities are allowed to be kept in frozen accounts denominated in US Dollar and/or Euro, over the total amount multiplied by coefficients described for the reserves equal to the percentiles stated in the Communiqué.

Pursuant to the Turkish Central Bank's press release numbered 2018-32 dated August 13, 2018 on Reserve Requirements, reserve requirement ratios for Turkish Lira liabilities were reduced by 250 basis points for all maturity brackets; reserve requirement ratios for non-core foreign exchange liabilities were reduced by 400 basis points for the maturities described in the Press Release; the maximum average maintenance facility for foreign exchange liabilities was raised to 8%; and in addition to US dollars, Euro can be used for the maintenance against Turkish lira reserves under the Reserve Options Mechanism.

The Communiqué numbered 2018/8 issued in the Official Gazette dated 22 December 2018, numbered 30633 on "Amendment on the Communiqué (No: 2013/15) on Reserve Requirements" stipulates that funds obtained by banks from Borsa İstanbul (BİST) markets via repo transactions will no longer be considered among TL and foreign exchange liabilities that are subject to reserve requirements. However, funds obtained via repo transactions executed in over-the-counter or other markets will continue to be subject to reserve requirements.

The Law on Protection of Personal Data numbered 6698 was enacted with the aim of protecting privacy of individuals and their fundamental rights and freedoms. The Law also governs the obligations, procedures and principles that apply to the real and legal entities processing personal data.

OTHER INFORMATION RELATED TO THE BANK AND ITS ACTIVITIES

There are no lawsuits filed against the Bank which could affect its financial position and activities.

RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

Risk management activities continued in 2018 in line with the Bank's risk management policies that were prepared as per national legislation and international practices and approved by the Board of Directors of the Bank.

Risk management practices are implemented through policies, action plans, implementation procedures and limits determined for the quality and level of the Bank's activities depending on the Bank's risk-return structure. They include identifying, measuring, and reporting incurred risks on unconsolidated and consolidated bases, and monitoring the total required capital and liquidity adequacy regarding risk profiles.

Policies and other documents are prepared as per the Banking Regulation and Supervision Agency (BRSA)'s "Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process" and "Good Practice Manuals." They are periodically reviewed, and updated if necessary.

In 2018, efforts continued to follow up and monitor national and international regulations regarding risk management & capital adequacy and relevant developments. In line with economic developments and expectations, daily scenario analyses on the capital adequacy ratio and monitoring and analysis activities for the standard ratio of interest rate risks arising from banking accounts and for the liquidity coverage ratio were carried out also in 2018. The stress test reports issued at the end of each month covering all risk factors were regularly reported to the Bank's top management.

An "Internal Capital Adequacy Assessment Process (ICAAP) Report" was issued and submitted to the Banking Regulation and Supervision Agency in 2018, pursuant to the Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process and "Good Practice Manuals."

The "Risk Appetite Statement" was updated in 2018 which determines the level of risk that the Bank is ready to take based on the risk capacity the Bank is anticipated to bear at a safe level in order to realize the Bank's objectives and strategies. The Bank, with the Risk Appetite Statement, anticipates a risk capacity it will be able to bear at a safe level in realizing its objectives and goals; determines the risk level it is ready to take; and regularly monitors appetite indicators regarding capital, liquidity and risk concentrations established in the statement, and risk-based limits.

Studies to calculate the market risk through the "Value at Risk" (VaR) model and to improve this model continued.

Within the scope of operational risk management, data on operational losses is collected including subsidiaries and affiliates to make a consolidated analysis. Operational Risk Analysis reports, which include breakdown and evolution of data regarding losses, continued to be prepared and shared with the Senior Management. Furthermore, "Impact Analysis" activities for banking business processes were completed in 2018.

Market Risk

The market risk arising from trading transactions is measured and monitored using standard methods and internal models in conformity with national and international practices. Market risk is managed in accordance with the "Market Risk Management Policy Document."

Market risk measurement results are calculated monthly on unconsolidated and consolidated bases by using the standard method under the provisions of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks," and reported to the Bank's senior management and the Banking Regulation and Supervision Agency. The portfolio to be included in the aforementioned calculation is determined pursuant to the Bank's "Trading Strategy, Policy and Implementation Procedures Document."

Moreover, VaR (Value at Risk) calculations are made on a daily basis and reported accordingly. "Value at Risk" is calculated through a unilateral 99% confidence interval on a daily basis using historical simulation and Monte Carlo simulation.

Daily tests are made retrospectively (back testing) in order to test the reliability and performance of the results of the model. Furthermore, scenario analysis and stress tests supportive of the standard method and internal models are performed.

Followed in line with the general limits of the Bank and the early warning signal limit, VaR-based limit implementation is monitored on a daily basis in order to limit the market risk.

Interest Rate Risk

Interest rate risk, which the Bank may be exposed to due to maturity mismatch on its balance sheet, is managed in accordance with the "Interest Rate Risk Management Policy Document."

The standard ratio of interest rate risk arising from banking accounts is calculated on a monthly basis and reported to the Banking Regulation and Supervision Agency. Besides, calculations are also made on a weekly basis in order to track the ratio and take prompt actions. Gap analysis is carried out based on the time left for repricing, and reports are issued on the interest rate risk while duration measurements and sensitivity analyses are periodically performed.

The Bank established and put in practice procedures for interest rate risk appetite. Interest rate risk limits were determined in line with the interest rate risk appetite. Relevant limits are periodically reported to Bank's Senior Management.

Liquidity Risk

The Bank's liquidity risk is managed in accordance with the "Liquidity Risk Management Policy Document." The Bank's approach for liquidity risk management is to monitor liquidity risk throughout the day on a continuous basis. Accordingly, work is performed to keep cash inflows and outflows in both Turkish Lira and foreign currency always under control. Long-term cashflow tables are prepared, and scenario analysis and stress tests based on previous experiences and expectations performed in order to determine the Bank's resilience against unexpected crises.

The Bank's liquidity risk appetite was determined and liquidity risk limits established accordingly. Relevant limits are periodically reported to Bank's Senior Management.

The Bank manages its liquidity risk as per the Liquidity Contingency Plan which is approved by the Board of Directors. The Bank monitors and manages liquidity requirements within the framework of the specified action plans, and by analyzing existing/potential liquidity gaps.

Operational Risk

Operational risk refers to the prospect of loss resulting from inadequate or failed procedures or systems, employee errors or external events that also cover Legal Risk. The management of operational risks is performed in accordance with the "Operational Risk Framework," established for comprehensive determination and definition of all the significant risks faced by the Bank by categories to serve as a shared terminology containing examples of these risks, and the "Bank's Operational Risk Management Policy Document." Operational risks are audited by the Audit Board and the Internal Audit function. In managing operational risks, the Bank collects operational risk loss and potential risk data, which enables implementation of the standardized approach. The operational loss data is analyzed in order to identify the risk factors and the findings are presented to the Bank's internal systems functions and Bank's executive management.

Operational risk data is examined on consolidated basis, and within this scope, loss data is regularly collected from the Bank's affiliates and saved in the database.

Performed with the aim of analyzing business processes, identifying inadequate controls and taking necessary measures, the 2018 "Impact Analysis" that covered the business departments within the Head Office was completed. Symptom monitoring efforts and assessment of updated and newly-established processes as part of the "Impact Analysis" are ongoing.

Risk assessments on new products are carried out within the scope of the "New Product Development Regulation." Moreover, risk assessments regarding procurement of support services are performed in accordance with the "Support Services Procurement Procedures and the Risk Management Program."

Operational risk measurement results calculated annually on unconsolidated and consolidated bases using the key indicator approach are reported to the Bank's top management and the BRSA, pursuant to the "Regulation on Measurement and Assessment of Capital Adequacy of Banks."

In accordance with the "Guide About Reputation Risk Management " issued by the Banking Regulation and Supervision Agency; the "Reputation Risk Management Policy" was approved by the Board of Directors and entered into force in 2018 to establish policies regarding identification, assessment, control, monitoring, reporting and management of reputation risks that may arise from the Bank's activities, practices, shareholders and employees.

Credit Risk

Credit risk arises from the partial or complete failure of a counterparty to fulfill its obligations provided for in contractual requirements. The Bank's definition of credit risk covers credit risk in all products and activities, based on the definition of credit in the Banking Law.

Credit risk is managed within the scope of the "Credit Risk Management Policy Document." Furthermore, VakıfBank manages sovereign risk within the scope of the "Country Risk Management Policy Document," and has defined indirect sovereign risk, central management risk, contagion risk, macroeconomic risk, indirect foreign exchange risk, and transfer risk as the main components of the sovereign risk.

The findings obtained from analyses on the composition and concentration of the Bank's loan portfolio (type of loan, currency, maturity, sector, geographical region, segment, borrower, holding, group, subsidiaries), on the portfolio quality (standard loans, non-performing loans, deferred loans, loans under close scrutiny, rating distribution of the portfolio) and on sovereign risks, as well as data derived from scenario analyses and studies on NPL ratios, are reported to the Bank's senior management in the form of individual and monthly reports.

Taking the Bank's loan policy and economic changes into consideration; sectoral, geographical and retail segment loan concentration limits were updated in 2018 in order to identify loan concentration risks and create a balanced loan portfolio. Additional tables were included in the Credit Risk Reports that are submitted monthly to Senior Management, such as: TL/foreign currency realization of commercial loans, first 10 customers who have been removed from non-performing loan accounts and assigned a payment schedule, and distribution of expected loss provisions according to geographical regions and segments.

RISK MANAGEMENT POLICIES APPLIED BY RISK TYPE

Credit risk in fair value, measured as per the provisions of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks," is reported to the Bank's senior management and the BRSA on unconsolidated and consolidated bases quarterly. The Capital Adequacy Standard Ratio is closely monitored within the Bank, calculated on a daily basis and reported to the senior management after the scenario analysis/stress testing is performed.

The ultimate aim of the Bank is to use credit risk internal methods in line with Basel III and international best practices. Within this scope, "Internal Rating Based Approach" (IRB) activities are carried out within the Bank. As part of IRB activities, the Credit Risk Control Department and the Head Office for Assessment and Rating work in coordination to carry out activities for updating the existing credit rating models and developing new models. Policies and procedures are updated by following a risk-based approach during IRB efforts. Furthermore, as it is important to use consistent credit rating models with a high reliability level, the Credit Risk Control Department periodically analyzes the models' outcomes, and reports them to the Bank's senior management.

The Validation Department carries out activities i) to determine, by using accuracy, correctness and consistency measurements, the extent to which the models used within the Bank represent the outcomes; ii) to measure how sound the models and other components are and; iii) to make qualitative and quantitative validation on the internal credit rating systems used by the Bank. Validation reports regarding the models are presented to the Bank's senior management.

Counterparty Credit Risk

Counterparty credit risk is the risk arising from the possibility that the counterparty may default on amounts owed before the last payment for a transaction that obligates both parties. It is managed pursuant to the "Counterparty Credit Risk Management Policy Document."

In accordance with the provisions of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks," counterparty credit risk amounts calculated using the fair value, are calculated based on the portfolios in the trading and banking accounts. These amounts are monthly reported on unconsolidated and consolidated bases within the scope of capital adequacy calculations, to the Bank's senior management and the BRSA.

Concentration Risk

Concentration risk arises from the fact that the Bank's has a specific concentration on assets, liabilities, and fields of activity, and is managed pursuant to the "Concentration Risk Management Policy Document."

Concentration risk limits were determined in a manner that will enable the Bank to avoid large risk concentrations, monitor its risks within the scope of its risk appetite, and carry out its activities even under stress conditions.

The Bank establishes limits in managing concentration risks which are monitored and reported to the senior management. Limits are controlled on a regular basis and revised as necessary, in parallel with economic developments, expectations, and the Bank's objectives and strategies.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2018 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 2018, 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 effect of the matter on the unconsolidated financial statements described in the basis for the 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 2018, 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 as at 31 December 2018 include a free provision amounting to TL 1,030,000 thousand, of which TL 530,000 thousand was recognized as expense in the current period and TL 500,000 thousand had been recognized as expense in prior periods, which is provided by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the 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
Expected Credit Loss in Accordance With TFRS 9 "Financial Instruments Standard" ("TFRS 9")	
The Bank has total expected credit losses of TL 10,860,390 thousands in respect to loans of TL 232,406,907 thousands which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2018. Explanations and notes related to provision for impairment of loans are presented Section III Part VII, Section III Part VIII, Section V Part I-5 and Section V Part II-7 in the accompanying unconsolidated financial statements as at 31 December 2018. As of 1 January 2018, the Bank started to recognize provision for impairment of loans in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). 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 assess8ments and default events presented Section Three Part VII in the accompanying unconsolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.	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. 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. Our audit processes also include the following procedures: · 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. · 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.

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Key Audit Matters

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.

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.

First time application of TFRS 9

The Bank has adopted TFRS 9 to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018. Transition resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The impact of the first application of TFRS 9 and relevant disclosures are presented in Section 3 Part 1 in the accompanying unconsolidated financial statements as at 31 December 2018.

TFRS 9 Financial Instruments Standard consists of three phases:

Phase 1 - Classification and measurement of financial assets and financial liabilities;
Phase 2 - Expected credit losses and
Phase 3 - Hedge accounting.

Management assessed the business model to determine whether its financial assets are held to collect, held to collect and sell or other. For the financial assets in every business model, management has performed assessment for each type of product to conclude whether the cash flows from financial instruments fulfil the solely of payment of principal of interest criteria ('SPPI').

How Our Audit Addressed the Key Audit Matter

- 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.
- We assessed accuracy and completeness of the disclosures in the financial statements the Bank presented in relation to expected credit losses.

With respect to classification and measurement of financial assets and financial liabities, our audit procedures comprised the following;

We have read the Bank's TFRS 9 based classification and measurement policy for financial assets and financial liabilities, and compared it with the requirements of TFRS 9.

We obtained and reviewed the Bank's business model assessment. We assessed criterias used to determine contracts which give rise to cash flows that are solely payments of principal and interest, and tested contracts representing product groups based on a selected sample.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
First time application of TFRS 9	
TFRS 9 lead to an increase in complexity and in the degree of judgment required to calculate the expected credit losses. First time application of the standard, required significant judgment and interpretation especially in development of expected credit losses models. Regarding changes due to adoption of TFRS 9, explanations regarding Bank's transition to expected credit losses approach are stated in key audit matter "Expected credit losses for loans" The Bank has elected to continue to apply the hedge accounting requirements of TAS 39. As first time application of TFRS 9 requires number of decision making based on interpretation and judgment, and as it is a major change in the accounting framework of the Bank, we considered this as key audit matter. ***Valuation of Pension Fund Obligations*** Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying unconsolidated financial statements as at 31 December 2018. "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. 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.	Audit procedures related to TFRS 9 expected credit losses phase and relevant models are explained in the part 'how the key audit matter was addressed in the audit' of key audit matter titled "Expected credit losses for loans" We checked the appropriateness of the opening balance adjustments and disclosures presented related to first time application of TFRS 9. 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. 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. 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. In addition to the above procedures, we have reviewed disclosures made with respect to pension funds.

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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 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 2017 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.

Zeynep Uras, SMMM
Partner

Istanbul, 13 February 2019

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, 2018

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

The unconsolidated financial report as at and for the year ended December 31, 2018, prepared in accordance with the "Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- 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 13, 2019

Şahap KAVCIOĞLU	**Serdar TUNÇBİLEK**	**Mehmet Emin ÖZCAN**
Deputy Chairman of the Board and Audit Committee Member	Board and Audit Committee Member	General Manager and Board Member

Şuayyip İLBİLGİ	**Ferkan MERDAN**
Assistant General Manager	Director of Accounting and Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title	: Burcu Sütcü AKDAĞ / Manager	Name-Surname/Title	: Mehmet Fatih METE / Asst. Manager
Phone no	: 0 216 724 31 35	Phone no	: 0 216 724 31 38
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Page:

SECTION ONE
General Information

SECTION TWO
Unconsolidated Financial Statements

SECTION THREE
Accounting Policies

SECTION FOUR
Information Related To Financial Position and Risk Management

SECTION FIVE
Disclosures and Footnotes on Unconsolidated Financial Statements

SECTION SIX
Other Disclosures

SECTION SEVEN
Independent Auditors' Audit 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 AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

SECTION ONE
GENERAL INFORMATION

I. HISTORY OF THE 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 General Directorate of the Foundations.

As at December 31, 2018 and December 31, 2017, 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, 2018 and December 31, 2017 are as stated below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

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	-

The 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.

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

V. INFORMATION ABOUT THE SERVICES AND NATURE OF ACTIVITIES OF THE 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:

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

As at December 31, 2018, the Bank has 948 domestic, 3 foreign, in total 951 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at December 31, 2018, the Bank has 16,767 employees (December 31, 2017: 16,097 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 AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2018

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

SECTION TWO

UNCONSOLIDATEDFINANCIAL STATEMENTS

			Audited Current Period December 31, 2018		
	ASSETS	Notes	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		49,342,328	41,360,568	90,702,896
1.1	Cash and cash equivalents	V-I-1	5,240,101	32,032,981	37,273,082
1.1.1	Cash and balances at Central Bank	V-I-1	5,235,557	27,018,932	32,254,489
1.1.2	Banks	V-I-3	4,544	5,014,049	5,018,593
1.1.3	Receivables from Money Markets		-	-	-
1.2	Financial assets at fair value through profit or loss		1,395	69,766	71,161
1.2.1	Public debt securities		-	-	-
1.2.2	Equity instruments		-	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	7,727,407	1,274,971	9,002,378
1.3.1	Public debt securities		7,662,348	1,271,520	8,933,868
1.3.2	Equity instruments		-	3,451	3,451
1.3.3	Other financial assets		65,059	-	65,059
1.4	Financial assets measured at amortised cost	V-I-6	32,377,288	7,603,222	39,980,510
1.4.1	Public debt securities		32,326,808	7,413,026	39,739,834
1.4.2	Other financial assets		50,480	190,196	240,676
1.5	Derivative financial assets	V-I-2	4,031,081	379,628	4,410,709
1.5.1	Derivative financial assets at fair value through profit or loss		4,031,081	379,628	4,410,709
1.5.2	Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6	Non-performing financial assets		-	-	-
1.7	Allowance for expected credit losses (-)	V-I-8	34,944	-	34,944
II.	LOANS (Net)		140,101,774	81,444,743	221,546,517
2.1	Loans	V-I-5	140,165,770	81,440,980	221,606,750
2.1.1	Loans measured at amortised cost		140,165,770	81,440,980	221,606,750
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	Receivables from leasing transactions	V-I-10	-	-	-
2.2.1	Finance lease receivables		-	-	-
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		-	-	-
2.3	Factoring receivables		-	-	-
2.3.1	Factoring receivables measured at amortised cost		-	-	-
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
2.4	Non-performing loans		10,766,615	33,542	10,800,157
2.5	Allowance for expected credit losses (-)		10,830,611	29,779	10,860,390
2.5.1	12-Month expected credit losses (Stage 1)		1,513,299	19,840	1,533,139
2.5.2	Significant increase in credit risk (Stage 2)		1,307,302	-	1,307,302
2.5.3	Credit-Impaired (Stage 3)		8,010,010	9,939	8,019,949
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	V-I-16	1,618,562	-	1,618,562
3.1	Held for sale		1,618,562	-	1,618,562
3.2	Held from discontinued operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		2,647,659	403,558	3,051,217
4.1	Investments in affiliates (Net)	V-I-7	619,582	-	619,582
4.1.1	Associates accounted by using equity method		-	-	-
4.1.2	Non-consolidated associates		619,582	-	619,582
4.2	Investments in subsidiaries (Net)	V-I-8	2,028,077	403,558	2,431,635
4.2.1	Non-consolidated financial subsidiaries		1,726,174	403,558	2,129,732
4.2.2	Non-consolidated non-financial subsidiaries		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.	TANGIBLE ASSETS (Net)	V-I-12	2,557,495	10,130	2,567,625
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)	V-I-13	218,152	-	218,152
6.1	Goodwill		-	-	-
6.2	Other		218,152	-	218,152
VII.	INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-
VIII.	CURRENT TAX ASSETS		-	-	-
IX.	DEFERRED TAX ASSETS	V-I-15	29,776	-	29,776
X.	OTHER ASSETS	V-I-17	3,304,654	8,316,242	11,620,896
	TOTAL ASSETS		199,820,400	131,535,241	331,355,641

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2017

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

				Audited Prior Period December 31, 2017	
	ASSETS	Notes	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	4,021,321	24,623,503	28,644,824
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		1,802,188	134,600	1,936,788
2.1	Financial assets held for trading purpose		1,802,188	134,600	1,936,788
2.1.1	Debt securities issued by the governments		-	-	-
2.1.2	Equity securities		-	-	-
2.1.3	Derivative financial assets held for trading purpose		1,801,925	134,600	1,936,525
2.1.4	Other securities		263	-	263
2.2	Financial assets designated at fair value through profit or loss		-	-	-
2.2.1	Debt securities issued by the governments		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other securities		-	-	-
III.	BANKS	V-I-3	308,552	11,579,276	11,887,828
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		1,652,102	-	1,652,102
4.1	Interbank money market placements		1,652,102	-	1,652,102
4.2	Istanbul Stock Exchange money market placements		-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	12,412,036	1,137,678	13,549,714
5.1	Equity securities		15	43,355	43,370
5.2	Debt securities issued by the governments		12,412,021	1,094,323	13,506,344
5.3	Other securities		-	-	-
VI.	LOANS AND RECEIVABLES	V-I-5	131,211,145	52,760,470	183,971,615
6.1	Performing loans and receivables	V-I-5	130,197,248	52,734,980	182,932,228
6.1.1	Loans provided to risk group		63,865	98,796	162,661
6.1.2	Debt securities issued by the governments		-	-	-
6.1.3	Other		130,133,383	52,636,184	182,769,567
6.2	Loans under follow-up		7,605,376	32,830	7,638,206
6.3	Specific provisions (-)		6,591,479	7,340	6,598,819
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	12,235,406	4,530,665	16,766,071
8.1	Debt securities issued by the governments		12,235,406	4,286,627	16,522,033
8.2	Other securities		-	244,038	244,038
IX.	INVESTMENTS IN AFFILIATES (Net)	V-I-7	349,158	-	349,158
9.1	Associates, consolidated per equity method		-	-	-
9.2	Unconsolidated associates		349,158	-	349,158
9.2.1	Financial associates		337,758	-	337,758
9.2.2	Non-Financial associates		11,400	-	11,400
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	1,851,610	362,248	2,213,858
10.1	Unconsolidated financial subsidiaries		1,587,890	362,248	1,950,138
10.2	Unconsolidated non-financial subsidiaries		263,720	-	263,720
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-
11.1	Joint-ventures, consolidated per equity method		-	-	-
11.2	Unconsolidated joint-ventures		-	-	-
11.2.1	Financial joint-ventures		-	-	-
11.2.2	Non-Financial joint-ventures		-	-	-
XII.	LEASE RECEIVABLES	V-I-10	-	-	-
12.1	Finance lease receivables		-	-	-
12.2	Operational lease receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned income (-)		-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE		-	-	-
13.1	Fair value hedges		-	-	-
13.2	Cash flow hedges		-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-
XIV.	TANGIBLE ASSETS (Net)	V-I-12	1,409,644	7,619	1,417,263
XV.	INTANGIBLE ASSETS (Net)	V-I-13	210,970	-	210,970
15.1	Goodwill		-	-	-
15.2	Other intangibles		210,970	-	210,970
XVI.	INVESTMENT PROPERTIES (Net)	V-I-14	-	-	-
XVII.	TAX ASSETS		-	-	-
17.1	Current tax assets		-	-	-
17.2	Deferred tax assets	V-I-15	-	-	-
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-16	1,312,493	-	1,312,493
18.1	Assets held for sale		1,312,493	-	1,312,493
18.2	Assets related to the discontinued operations		-	-	-
XIX.	OTHER ASSETS	V-I-17	3,036,653	3,622,373	6,659,026
	TOTAL ASSETS		171,813,278	98,758,432	270,571,710

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2018

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

				Audited Current Period December 31, 2018	
	LIABILITIES AND EQUITY	**Notes**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**V-II-1**	**109,592,026**	**69,815,881**	**179,407,907**
II.	**LOANS RECEIVED**	**V-II-3**	**747,607**	**40,602,229**	**41,349,836**
III.	**MONEY MARKET FUNDS**		**26,614,533**	**2,109,204**	**28,723,737**
IV.	**MARKETABLE SECURITIES (Net)**	**V-II-3**	**7,375,071**	**14,971,993**	**22,347,064**
4.1	Bills		3,645,695	-	3,645,695
4.2	Asset backed securities		-	-	-
4.3.	Bonds		3,729,376	14,971,993	18,701,369
V.	**FUNDS**		**3,054**	**-**	**3,054**
5.1	Borrower funds		-	-	-
5.2	Other		3,054	-	3,054
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**V-II-2**	**2,123,319**	**425,858**	**2,549,177**
7.1	Derivative financial liabilities at fair value through profit or loss		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**	**-**	**-**	**-**
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	**PROVISIONS**	**V-II-7**	**2,266,153**	**5,206**	**2,271,359**
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		1,035,025	-	1,035,025
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		1,231,128	5,206	1,236,334
XI.	**CURRENT TAX LIABILITIES**	**V-II-8**	**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**	**5,668,121**	**7,353,902**	**13,022,023**
14.1	Loans		-	-	-
14.2	Other debt instruments		5,668,121	7,353,902	13,022,023
XV.	**OTHER LIABILITIES**	**V-II-4**	**7,381,601**	**5,173,829**	**12,555,430**
XVI.	**SHAREHOLDERS` EQUITY**	**V-II-11**	**28,333,549**	**16,641**	**28,350,190**
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2	Capital reserves		814,670	-	814,670
16.2.1	Equity share premiums		723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		90,752	-	90,752
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		2,469,172	(3,983)	2,465,189
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(40,194)	20,624	(19,570)
16.5	Profit reserves		17,864,763	-	17,864,763
16.5.1	Legal reserves		2,007,670	-	2,007,670
16.5.2	Statutory reserves		-	-	-
16.5.3	Extraordinary reserves		15,406,693	-	15,406,693
16.5.4	Other profit reserves		450,400	-	450,400
16.6	Profit or loss		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		4,154,322	-	4,154,322
16.7	Minority interests		-	-	-
	TOTAL LIABILITIES AND EQUITY		**190,879,597**	**140,476,044**	**331,355,641**

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UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2017

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

				Audited Prior Period December 31, 2017	
	LIABILITIES AND EQUITY	**Notes**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**V-II-1**	**103,532,624**	**51,744,498**	**155,277,122**
1.1	Deposits of risk group		2,815,871	218,060	3,033,931
1.2	Other deposits		100,716,753	51,526,438	152,243,191
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE**	**V-II-2**	**1,015,603**	**168,927**	**1,184,530**
III.	**FUNDS BORROWED**	**V-II-3**	**668,532**	**27,639,089**	**28,307,621**
IV.	**INTERBANK MONEY MARKET**		**18,699,026**	**3,571,811**	**22,270,837**
4.1	Interbank money market takings		11,662,376	1,631,693	13,294,069
4.2	Istanbul Stock Exchange money market takings		-	-	-
4.3	Obligations under repurchase agreements		7,036,650	1,940,118	8,976,768
V.	**SECURITIES ISSUED (Net)**	**V-II-3**	**6,443,119**	**13,041,979**	**19,485,098**
5.1	Bills		3,566,573	-	3,566,573
5.2	Asset backed securities		-	-	-
5.3	Bonds		2,876,546	13,041,979	15,918,525
VI.	**FUNDS**		**3,206**	**-**	**3,206**
6.1	Funds against borrower's note		-	-	-
6.2	Other		3,206	-	3,206
VII.	**MISCELLANEOUS PAYABLES**		**6,050,223**	**798,105**	**6,848,328**
VIII.	**OTHER EXTERNAL RESOURCES PAYABLE**	**V-II-4**	**860,160**	**2,977,406**	**3,837,566**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**
X.	**LEASE PAYABLES (Net)**	**V-II-5**	**-**	**-**	**-**
10.1	Finance lease payables		-	-	-
10.2	Operational lease payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE**		**-**	**-**	**-**
11.1	Fair value hedges		-	-	-
11.2	Cash flow hedges		-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-
XII.	**PROVISIONS**	**V-II-7**	**3,395,373**	**17,109**	**3,412,482**
12.1	General provisions		1,872,826	12,667	1,885,493
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		821,819	-	821,819
12.4	Insurance technical provisions (Net)		-	-	-
12.5	Other provisions		700,728	4,442	705,170
XIII.	**TAX LIABILITIES**	**V-II-8**	**702,784**	**48,349**	**751,133**
13.1	Current tax liabilities	V-II-8	636,728	670	637,398
13.2	Deferred tax liabilities	V-II-8	66,056	47,679	113,735
XIV.	**PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS (Net)**	**V-II-9**	**-**	**-**	**-**
14.1	Payables related to the assets held for sale		-	-	-
14.2	Payables related to the discontinued operations		-	-	-
XV.	**SUBORDINATED LOANS**	**V-II-10**	**528,188**	**5,407,781**	**5,935,969**
XVI.	**EQUITY**	**V-II-11**	**23,061,935**	**195,883**	**23,257,818**
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2	Capital reserves		2,542,507	195,883	2,738,390
16.2.1	Share premium		723,918	-	723,918
16.2.2	Share cancellation profits		-	-	-
16.2.3	Valuation differences of the marketable securities		876,951	195,883	1,072,834
16.2.4	Revaluation surplus on tangible assets		873,080	-	873,080
16.2.5	Revaluation surplus on intangible assets		-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		91,823	-	91,823
16.2.8	Hedging reserves (effective portion)		-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-
16.2.10	Other capital reserves		(23,265)	-	(23,265)
16.3	Profit reserves		14,296,045	-	14,296,045
16.3.1	Legal reserves		1,635,332	-	1,635,332
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		12,210,313	-	12,210,313
16.3.4	Other profit reserves		450,400	-	450,400
16.4	Profit or loss		3,723,383	-	3,723,383
16.4.1	Prior years' profit/loss		-	-	-
16.4.2	Current period's profit/loss		3,723,383	-	3,723,383
	TOTAL LIABILITIES AND EQUITY		**164,960,773**	**105,610,937**	**270,571,710**

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31, 2018

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

			Audited Current Period December 31, 2018		
		Notes	TL	FC	Total
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**94,630,911**	**144,091,940**	**238,722,851**
I.	**GUARANTEES AND SURETIES**	**V-III-2-4**	**36,971,920**	**28,193,356**	**65,165,276**
1.1.	Letters of guarantee		36,896,905	15,053,372	51,950,277
1.1.1.	Guarantees subject to State Tender Law		3,807,039	5,902,336	9,709,375
1.1.2.	Guarantees given for foreign trade operations		1,314,771	-	1,314,771
1.1.3.	Other letters of guarantee		31,775,095	9,151,036	40,926,131
1.2.	Bank acceptances		24,005	2,948,104	2,972,109
1.2.1.	Import letter of acceptance		-	586,987	586,987
1.2.2.	Other bank acceptances		24,005	2,361,117	2,385,122
1.3.	Letters of credit		51,010	10,148,777	10,199,787
1.3.1.	Documentary letters of credit		51,010	10,148,777	10,199,787
1.3.2.	Other letters of credit		-	-	-
1.4.	Pre-financing given as guarantee		-	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		-	38,904	38,904
1.9.	Other warrantees		-	-	-
II.	**COMMITMENTS**		**36,959,594**	**26,856,010**	**63,815,604**
2.1.	Irrevocable commitments		32,609,583	2,252,627	34,862,210
2.1.1.	Asset purchase and sales commitments	V-III-1	1,501,627	2,252,627	3,754,254
2.1.2.	Deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries		2,250	-	2,250
2.1.4.	Loan granting commitments	V-III-1	14,103,024	-	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	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	13,549,649	-	13,549,649
2.1.10.	Commitments for credit cards and banking services promotions		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		902,534	-	902,534
2.2.	Revocable commitments		4,350,011	24,603,383	28,953,394
2.2.1.	Revocable loan granting commitments		4,350,011	24,603,383	28,953,394
2.2.2.	Other revocable commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**V-III-5**	**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		20,699,397	89,042,574	109,741,971
3.2.1.	Forward foreign currency purchase and sale transactions		1,201,285	1,543,434	2,744,719
3.2.1.1.	Forward foreign currency purchase transactions		602,318	771,805	1,374,123
3.2.2.2.	Forward foreign currency sales		598,967	771,629	1,370,596
3.2.2.	Currency and interest rate swaps		13,638,148	73,193,459	86,831,607
3.2.2.1.	Currency swap purchase transactions		2,532,776	19,685,170	22,217,946
3.2.2.2.	Currency swap sale transactions		7,805,372	9,975,981	17,781,353
3.2.2.3.	Interest rate swap purchase transactions		1,650,000	21,766,154	23,416,154
3.2.2.4.	Interest rate swap sale transactions		1,650,000	21,766,154	23,416,154
3.2.3.	Currency, interest rate and security options		697,904	1,784,623	2,482,527
3.2.3.1	Currency purchase options		349,778	865,498	1,215,276
3.2.3.2	Currency sale options		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		5,162,060	12,521,058	17,683,118
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**1,553,971,819**	**1,217,345,200**	**2,771,317,019**
IV.	**ITEMS HELD IN CUSTODY**		**48,337,336**	**3,671,333**	**52,008,669**
4.1.	Assets under management		-	-	-
4.2.	Securities held in custody		36,285,318	395,353	36,680,671
4.3.	Checks received for collection		9,189,448	1,154,341	10,343,789
4.4.	Commercial notes received for collection		1,522,229	445,168	1,967,397
4.5.	Other assets received for collection		2,152	211	2,363
4.6.	Securities received for public offering		-	-	-
4.7.	Other items under custody		309	100,301	100,610
4.8.	Custodians		1,337,880	1,575,959	2,913,839
V.	**PLEDGED ITEMS**		**428,045,010**	**204,235,157**	**632,280,167**
5.1.	Marketable securities		354,739	9,824	364,563
5.2.	Guarantee notes		681,820	1,135,681	1,817,501
5.3.	Commodity		32,405,583	1,711,768	34,117,351
5.4.	Warrant		-	-	-
5.5.	Immovables		340,951,847	163,744,146	504,695,993
5.6.	Other pledged items		52,805,682	37,364,638	90,170,320
5.7.	Depositories receiving pledged items		845,339	269,100	1,114,439
VI.	**ACCEPTED GUARANTEES AND WARRANTEES**		**1,077,589,473**	**1,009,438,710**	**2,087,028,183**
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		**1,648,602,730**	**1,361,437,140**	**3,010,039,870**

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31, 2017

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

				Audited Prior Period December 31, 2017	
		Notes	TL	FC	Total
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**80,248,423**	**79,578,712**	**159,827,135**
I.	**GUARANTEES AND SURETIES**	**V-III-2-4**	**32,109,922**	**18,657,662**	**50,767,584**
1.1	Letters of guarantee		32,035,061	8,133,759	40,168,820
1.1.1	Guarantees subject to State Tender Law		3,163,898	4,099,756	7,263,654
1.1.2	Guarantees given for foreign trade operations		1,053,872	-	1,053,872
1.1.3	Other letters of guarantee		27,817,291	4,034,003	31,851,294
1.2	Bank acceptances		44,700	1,510,854	1,555,554
1.2.1	Import letter of acceptance		671	519,399	520,070
1.2.2	Other bank acceptances		44,029	991,455	1,035,484
1.3	Letters of credit		30,161	8,963,991	8,994,152
1.3.1	Documentary letters of credit		30,161	8,963,991	8,994,152
1.3.2	Other letters of credit		-	-	-
1.4	Guaranteed pre-financings		-	3,006	3,006
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2	Other endorsements		-	-	-
1.6	Marketable securities underwriting commitments		-	-	-
1.7	Factoring related guarantees		-	-	-
1.8	Other guarantees		-	43,996	43,996
1.9	Other sureties		-	2,056	2,056
II.	**COMMITMENTS**		**31,039,233**	**17,286,799**	**48,326,032**
2.1	Irrevocable commitments		27,979,658	961,190	28,940,848
2.1.1	Asset purchase commitments	V-III-1	793,979	961,190	1,755,169
2.1.2	Deposit purchase and sales commitments		-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	-	-
2.1.4	Loan granting commitments	V-III-1	11,843,577	-	11,843,577
2.1.5	Securities issuance brokerage commitments		-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-
2.1.7	Commitments for cheque payments	V-III-1	2,542,741	-	2,542,741
2.1.8	Tax and fund obligations on export commitments		-	-	-
2.1.9	Commitments for credit card limits	V-III-1	10,534,862	-	10,534,862
2.1.10	Commitments for credit card and banking operations promotions		761,674	-	761,674
2.1.11	Receivables from "short" sale commitments on securities		-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-
2.1.13	Other irrevocable commitments		1,502,825	-	1,502,825
2.2	Revocable commitments		3,059,575	16,325,609	19,385,184
2.2.1	Revocable loan granting commitments		3,059,575	16,325,609	19,385,184
2.2.2	Other revocable commitments		-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**V-III-5**	**17,099,268**	**43,634,251**	**60,733,519**
3.1	Derivative financial instruments held for risk management		-	-	-
3.1.1	Fair value hedges		-	-	-
3.1.2	Cash flow hedges		-	-	-
3.1.3	Net foreign investment hedges		-	-	-
3.2	Trading derivatives		17,099,268	43,634,251	60,733,519
3.2.1	Forward foreign currency purchases/sales		1,152,837	1,617,661	2,770,498
3.2.1.1	Forward foreign currency purchases		576,772	808,889	1,385,661
3.2.2.2	Forward foreign currency sales		576,065	808,772	1,384,837
3.2.2	Currency and interest rate swaps		10,344,359	30,420,079	40,764,438
3.2.2.1	Currency swaps-purchases		3,297,551	11,363,303	14,660,854
3.2.2.2	Currency swaps-sales		4,706,808	4,435,680	9,142,488
3.2.2.3	Interest rate swaps-purchases		1,170,000	7,310,548	8,480,548
3.2.2.4	Interest rate swaps-sales		1,170,000	7,310,548	8,480,548
3.2.3	Currency, interest rate and security options		426,094	431,542	857,636
3.2.3.1	Currency call options		412,706	13,400	426,106
3.2.3.2	Currency put options		13,388	418,142	431,530
3.2.3.3	Interest rate call options		-	-	-
3.2.3.4	Interest rate put options		-	-	-
3.2.3.5	Security call options		-	-	-
3.2.3.6	Security put options		-	-	-
3.2.4	Currency futures		-	-	-
3.2.4.1	Currency futures-purchases		-	-	-
3.2.4.2	Currency futures-sales		-	-	-
3.2.5	Interest rate futures		-	-	-
3.2.5.1	Interest rate futures-purchases		-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-
3.2.6	Other		5,175,978	11,164,969	16,340,947
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**1,283,071,577**	**805,680,121**	**2,088,751,698**
IV.	**ITEMS HELD IN CUSTODY**		**54,525,860**	**4,245,640**	**58,771,500**
4.1	Customers' securities held		-	-	-
4.2	Investment securities held in custody		42,177,802	135,880	42,313,682
4.3	Checks received for collection		9,976,508	2,483,954	12,460,462
4.4	Commercial notes received for collection		1,178,205	412,078	1,590,283
4.5	Other assets received for collection		2,152	151	2,303
4.6	Assets received through public offering		-	-	-
4.7	Other items under custody		309	76,380	76,689
4.8	Custodians		1,190,884	1,137,197	2,328,081
V.	**PLEDGED ITEMS**		**315,422,683**	**132,707,352**	**448,130,035**
5.1	Securities		739,672	5,090	744,762
5.2	Guarantee notes		707,502	524,748	1,232,250
5.3	Commodities		33,014,517	759,683	33,774,200
5.4	Warranties		-	-	-
5.5	Real estates		240,511,071	108,037,406	348,548,477
5.6	Other pledged items		39,688,651	23,254,495	62,943,146
5.7	Pledged items-depository		761,270	125,930	887,200
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**913,123,034**	**668,727,129**	**1,581,850,163**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**1,363,320,000**	**885,258,833**	**2,248,578,833**

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AS AT DECEMBER 31, 2018

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

		Notes	Audited Current Period January 1, 2018- December 31, 2018
I.	**INTEREST INCOME**	**V-IV-1**	**33,953,817**
1.1	Interest on loans	V-IV-1	27,331,620
1.2	Interest received from reserve deposits		389,604
1.3	Interest received from banks	V-IV-1	177,189
1.4	Interest received from money market transactions		18,657
1.5	Interest received from marketable securities portfolio	V-IV-1	6,032,692
1.5.1	Financial assets at fair value through profit or loss		-
1.5.2	Financial assets at fair value through other comprehensive income		1,008,530
1.5.3	Financial assets measured at amortised cost		5,024,162
1.6	Finance lease income		-
1.7	Other interest income		4,055
II.	**INTEREST EXPENSES**	**V-IV-2**	**23,113,130**
2.1	Interest on deposits	V-IV-2	15,662,291
2.2	Interest on funds borrowed	V-IV-2	1,218,563
2.3	Interest on money market transactions		3,525,739
2.4	Interest on securities issued	V-IV-2	2,003,259
2.5	Other interest expenses		703,278
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**10,840,687**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,293,210**
4.1	Fees and commissions received		3,262,601
4.1.1	Non-cash loans		481,635
4.1.2	Other		2,780,966
4.2	Fees and commissions paid		969,391
4.2.1	Non-cash loans		415
4.2.2	Other		968,976
V.	**PERSONNEL EXPENSES (-)**		**2,191,782**
VI.	**DIVIDEND INCOME**	**V-IV-3**	**129,624**
VII.	**TRADING PROFIT/LOSS (Net)**	**V-IV-4**	**643,635**
7.1	Profit/losses from capital market transactions	V-IV-4	155,578
7.2	Profit/losses from derivative financial transactions	V-IV-4	262,077
7.3	Foreign exchange profit/losses	V-IV-4	225,980
VIII.	**OTHER OPERATING INCOME**	**V-IV-5**	**2,003,613**
IX.	**GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)**		**13,718,987**
X.	**ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)**	**V-IV-6**	**4,883,505**
XI.	**OTHER OPERATING EXPENSES (-)**	**V-IV-7**	**3,681,555**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**5,153,927**
XIII.	**SURPLUS WRITTEN AS GAIN AFTER MERGER**		**-**
XIV.	**PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES**		**-**
XV.	**NET MONETORY POSITION GAIN/LOSS**		**-**
XVI.	**PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)**	**V-IV-8**	**5,153,927**
XVII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**V-IV-11**	**(999,605)**
17.1	Current tax provision	V-IV-11	(745,141)
17.2	Expense effect of deferred tax (+)	V-IV-11	(1,425,344)
17.3	Income effect of deferred tax (-)	V-IV-11	1,170,880
XIII.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)**	**V-IV-12**	**4,154,322**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
19.1	Income from assets held for sale		-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-
19.3	Other income from discontinued operations		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
20.1	Expenses on assets held for sale		-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-
20.3	Other expenses from discontinued operations		-
XXI.	**PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)**		**-**
XXII.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**
22.1	Current tax provision		-
22.2	Expense effect of deferred tax (+)		-
22.3	Income effect of deferred tax (-)		-
XXIII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)**		**-**
XXIV.	**NET PROFIT/LOSSES (XVIII+XXIII)**	**V-IV-12**	**4,154,322**
	Profit/Loss per 100 shares (full TL)		1.6617

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF INCOME AS AT DECEMBER 31, 2017

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

		Notes	Audited Prior Period January 1, 2017- December 31, 2017
I.	**INTEREST INCOME**	**V-IV-1**	**21,444,094**
1.1	Interest income from loans	V-IV-1	18,262,838
1.2	Interest income from reserve deposits		221,541
1.3	Interest income from banks	V-IV-1	52,638
1.4	Interest income from money market transactions		35,186
1.5	Interest income from securities portfolio	V-IV-1	2,868,891
1.5.1	Trading financial assets		-
1.5.2	Financial assets designated at fair value through profit or loss		-
1.5.3	Available-for-sale financial assets		1,708,617
1.5.4	Held-to-maturity investments		1,160,274
1.6	Finance lease income		-
1.7	Other interest income		3,000
II.	**INTEREST EXPENSE**	**V-IV-2**	**12,822,668**
2.1	Interest expense on deposits	V-IV-2	9,205,081
2.2	Interest expense on funds borrowed	V-IV-2	671,892
2.3	Interest expense on money market transactions		1,523,311
2.4	Interest expense on securities issued	V-IV-2	1,020,139
2.5	Other interest expenses		402,245
III.	**NET INTEREST INCOME (I - II)**		**8,621,426**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1,330,665**
4.1	Fees and commissions received		1,999,713
4.1.1	Non-cash loans		302,057
4.1.2	Others		1,697,656
4.2	Fees and commissions paid		669,048
4.2.1	Non-cash loans		130
4.2.2	Others		668,918
V.	**DIVIDEND INCOME**	**V-IV-3**	**93,561**
VI.	**TRADING INCOME/LOSSES (Net)**	**V-IV-4**	**164,212**
6.1	Trading account income/losses	V-IV-4	45,149
6.2	Income/losses from derivative financial instruments	V-IV-4	-26,021
6.3	Foreign exchange gains/losses	V-IV-4	145,084
VII.	**OTHER OPERATING INCOME**	**V-IV-5**	**1,673,529**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**11,883,393**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	**V-IV-6**	**2,787,533**
X.	**OTHER OPERATING EXPENSES (-)**	**V-IV-7**	**4,420,728**
XI.	**NET OPERATING PROFIT/LOSS (VIII-IX-X)**		**4,675,132**
XII.	**INCOME RESULTED FROM MERGERS**		**-**
XIII.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**
XIV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**
XV.	**INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)**	**V-IV-8**	**4,675,132**
XVI.	**CONTINUING OPERATIONS PROVISION FOR TAXES**	**V-IV-11**	**(951,749)**
16.1	Current tax charges	V-IV-11	(792,677)
16.2	Deferred tax credits	V-IV-11	(159,072)
XVII.	**NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)**	**V-IV-12**	**3,723,383**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
18.1	Income from investment properties		-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-
18.3	Other income from discontinued activities		-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS(-)**		**-**
19.1	Investment property expenses		-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-
19.3	Other expenses from discontinued activities		-
XX.	**INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES(XVIII-XIX)**		**-**
XXI.	**DISCONTINUED OPERATIONS PROVISION FOR TAXES(±)**		**-**
21.1	Current tax charge		-
21.2	Deferred tax charge		-
XXII.	**NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS(XX±XXI)**		**-**
XXIII.	**NET PROFIT/LOSS (XVI+XXII)**	**V-IV-12**	**3,723,383**
	Profit/Loss per 100 shares (full TL)		1.4894

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

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

	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited Current Period January 1, 2018- December 31, 2018
I.	**PROFIT (LOSS)**	**4,154,322**
II.	**OTHER COMPREHENSIVE INCOME**	**361,334**
2.1.	**Other comprehensive income that will not be reclassified to profit or loss**	**465,694**
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	189,679
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(13,236)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	356,838
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(67,587)
2.2.	**Other Comprehensive Income That Will Be Reclassified to Profit or Loss**	**(104,360)**
2.1.1.	Exchange Differences on Translation	-
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(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	26,943
III.	**TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)**	**4,515,656**

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UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

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

	GAINS AND LOSSES RECOGNIZED IN EQUITY	Audited Prior Period January 1, 2017-December 31, 2017
I.	**VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN VALUATION DIFFERENCES OF MARKETABLE SECURITIES**	**72,826**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**	**(6,588)**
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**	**-**
IV.	**CURRENCY TRANSLATION DIFFERENCES**	**-**
V.	**GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)**	**-**
VI.	**GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)**	**-**
VII.	**EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS**	**-**
VIII.	**OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TAS**	**385,802**
IX.	**DEFERRED TAXES DUE TO VALUATION DIFFERENCES**	**(36,316)**
X.	**NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)**	**415,724**
XI.	**CURRENT PERIOD'S PROFIT/(LOSS)**	**3,723,383**
11.1	Change in fair value of securities (transfers to the statement of income)	(34,072)
11.2	Gains/Losses recognized in the statement of income due to reclassification of cash flow hedges	-
11.3	Gains/Losses recognized in the statement of income due to reclassification of net foreign investment hedges	-
11.4	Others	3,757,455
XII.	**TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)**	**4,139,107**

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

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

	STATEMENT OF CHANGES IN SHAREHOLDERS' 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
	Current 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**
3.1.	Total Comprehensive Income		-	-	-	-	145,246	(10,589)	331,037	-	(104,360)	-	-	-	4,154,322	4,515,656
3.2.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3.	Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4.	Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7.	Increase/Decrease by Other Changes		-	-	-	(1,071)	-	-	-	-	-	-	-	(28,971)	-	(30,042)
IV.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,568,718**	**(3,693,718)**	**-**	**(125,000)**
4.1.	Dividends paid		-	-	-	-	-	-	-	-	-	-	-	(125,000)	-	(125,000)
4.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,568,718	(3,568,718)	-	-
4.3.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance		**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**

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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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period December 31, 2017																			
I.	Balances at the beginning of the period		2,500,000	-	723,918	-	1,367,022	-	9,964,966	382,618	-	2,703,042	698,028	829,895	69,222	-	-	19,238,711	-	19,238,711
	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	374,806	-	-	-	-	374,806	-	374,806
IV.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(6,259)	-	-	-	(6,259)	-	(6,259)
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	22,601	-	-	22,601	-	22,601
VIII.	Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassifications of the assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on the Bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	24,576	-	-	-	-	-	-	-	24,576	-	24,576
XVII.	Current period's net profit/loss		-	-	-	-	-	-	-	-	3,723,383	-	-	-	-	-	-	3,723,383	-	3,723,383
XVIII.	Profit distribution		-	-	-	-	268,310	-	2,245,347	19,941	-	(2,703,042)	-	49,444	-	-	-	(120,000)	-	(120,000)
18.1	Dividends		-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	(120,000)	-	(120,000)
18.2	Transferred to reserves		-	-	-	-	268,310	-	2,245,347	19,941	-	(2,583,042)	-	49,444	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance		2,500,000	-	723,918	-	1,635,332	-	12,210,313	427,135	3,723,383	-	1,072,834	873,080	91,823	-	-	23,257,818	-	23,257,818

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2018

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

		Notes	Audited Current Period December 31, 2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**5,889,154**
1.1.1	Interests received		28,510,420
1.1.2	Interests paid		(22,157,979)
1.1.3	Dividends received		61,419
1.1.4	Fee and commissions received		3,320,133
1.1.5	Other income		78,954
1.1.6	Collections from previously written-off loans and other receivables		3,372,562
1.1.7	Cash payments to personnel and service suppliers		(2,515,514)
1.1.8	Taxes paid		(1,135,686)
1.1.9	Other		(3,645,155)
1.2	**Changes in operating assets and liabilities**		**213,473**
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(70,898)
1.2.2	Net (increase) decrease in due from banks		(3,412,616)
1.2.3	Net (increase) decrease in loans		(38,614,794)
1.2.4	Net (increase) decrease in other assets		(966,221)
1.2.5	Net increase (decrease) in bank deposits		(2,727,333)
1.2.6	Net increase (decrease) in other deposits		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		12,883,988
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		7,502,053
I.	**Net cash flow provided from banking operations**		**6,102,627**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash provided from investing activities**		**(15,591,207)**
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		(20,443)
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		886
2.3	Cash paid for the purchase of tangible and intangible asset		(2,853,607)
2.4	Cash obtained from the sale of tangible and intangible asset		1,781,202
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(8,652,622)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		4,457,266
2.7	Cash paid for the purchase of financial assets at amortized cost		(11,162,210)
2.8	Cash obtained from sale of financial assets at amortized cost		841,350
2.9	Other		16,971
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flow from financing activities**		**9,652,395**
3.1	Cash obtained from funds borrowed and securities issued		21,450,192
3.2	Cash outflow from funds borrowed and securities issued		(11,672,797)
3.3	Equity instruments issued		-
3.4	Dividends paid		(125,000)
3.5	Payments for finance lease liabilities		-
3.6	Other		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**13,365**
V.	**Net increase/decrease in cash and cash equivalents**		**177,180**
VI.	**Cash and cash equivalents at beginning of the period**		**19,294,961**
VII.	**Cash and cash equivalents at end of the period**		**19,472,141**

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UNCONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

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

		Audited Prior Period December 31, 2017
A.	**CASH FLOWS FROM BANKING OPERATIONS**	
1.1	**Operating profit before changes in operating assets and liabilities**	**6,084,021**
1.1.1	Interests received	19,820,982
1.1.2	Interests paid	(12,333,577)
1.1.3	Dividends received	34,690
1.1.4	Fee and commissions received	1,999,713
1.1.5	Other income	66,699
1.1.6	Collections from previously written-off loans and other receivables	1,353,005
1.1.7	Payments to personnel and service suppliers	(2,025,203)
1.1.8	Taxes paid	(776,051)
1.1.9	Other	(2,056,237)
1.2	**Changes in operating assets and liabilities**	**1,010,197**
1.2.1	Net (increase) decrease in financial assets held for trading purpose	(62)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(4,082,794)
1.2.4	Net (increase) decrease in loans	(37,194,911)
1.2.5	Net (increase) decrease in other assets	(3,379,376)
1.2.6	Net increase (decrease) in bank deposits	4,637,814
1.2.7	Net increase (decrease) in other deposits	26,101,910
1.2.8	Net increase (decrease) in funds borrowed	4,076,090
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	10,851,526
I.	**Net cash flow from banking operations**	**7,094,218**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**	**-**
II.	**Net cash flow from investing activities**	**(2,629,403)**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	-
2.2	Proceeds from disposal of associates, subsidiaries and joint-ventures	232
2.3	Purchases of tangible assets	(153,273)
2.4	Proceeds from disposal of tangible assets	560,233
2.5	Cash paid for purchase of available-for-sale financial assets	(7,355,604)
2.6	Proceeds from disposal of available-for-sale financial assets	4,599,232
2.7	Cash paid for purchase of held-to-maturity investments	(2,423,358)
2.8	Proceeds from disposal of held-to-maturity investments	2,186,864
2.9	Other	(43,729)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**	**-**
III.	**Net cash flow from financing activities**	**5,464,623**
3.1	Cash obtained from funds borrowed and securities issued	17,617,496
3.2	Cash used for repayment of funds borrowed and securities issued	(12,032,873)
3.3	Equity instruments issued	-
3.4	Dividends paid	(120,000)
3.5	Repayments for finance leases	-
3.6	Other	-
IV.	**Effect of change in foreign exchange rates on cash and cash equivalents**	**(91,144)**
V.	**Net increase in cash and cash equivalents**	**9,838,294**
VI.	**Cash and cash equivalents at the beginning of the period**	**11,108,769**
VII.	**Cash and cash equivalents at the end of the period**	**20,947,063**

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2018

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

		Notes	Current Period December 31, 2018
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT**		
1.1	**CURRENT YEAR'S PROFIT**		**5,153,927**
1.2	**TAXES AND LEGAL DUTIES PAYABLE**		**(999,605)**
1.2.1	Corporate tax (income tax)	V-IV-11	(745,141)
1.2.2	Withholding tax		-
1.2.3	Other taxes and duties (**)	V-IV-11	(254,464)
A.	**NET PROFIT FOR THE YEAR**		**4,154,322**
1.3	**DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES**	**V-IV-11**	**-**
B.	**NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME**		**4,154,322**
1.4	**ACCUMULATED LOSSES**		**-**
1.5	**FIRST LEGAL RESERVES**	**V-V-5**	**-**
1.6	**OTHER STATUTORY RESERVES**	**V-V-5**	**-**
C.	**NET PROFIT AVAILABLE FOR DISTRIBUTION (*)**		**-**
1.7	**FIRST DIVIDEND TO SHAREHOLDERS**		**-**
1.7.1	To owners of ordinary shares		-
1.7.2	To owners of privileged shares		-
1.7.3	To owners of redeemed shares		-
1.7.4	To profit sharing bonds		-
1.7.5	To holders of profit and loss sharing certificates		-
1.8	**DIVIDENDS TO PERSONNEL**		**-**
1.9	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
1.10	**SECOND DIVIDEND TO SHAREHOLDERS**		**-**
1.10.1	To owners of ordinary shares		-
1.10.2	To owners of privileged shares		-
1.10.3	To owners of redeemed shares		-
1.10.4	To profit sharing bonds		-
1.10.5	To holders of profit and loss sharing certificates		-
1.11	**SECOND LEGAL RESERVES**		**-**
1.12	**STATUS RESERVES**		**-**
1.13	**EXTRAORDINARY RESERVES**	**V-V-5**	**-**
1.14	**OTHER RESERVES**		**-**
1.15	**SPECIAL FUNDS**	**V-V-5**	**-**
II.	**DISTRIBUTION FROM RESERVES**		**-**
2.1	**DISTRIBUTION OF RESERVES**		**-**
2.2	**SECOND LEGAL RESERVES**		**-**
2.3	**DIVIDENTS TO SHAREHOLDERS**		**-**
2.3.1	To owners of ordinary shares		-
2.3.2	To owners of privileged shares		-
2.3.3	To owners of redeemed shares		-
2.3.4	To profit sharing bonds		-
2.3.5	To holders of profit and loss sharing certificates		-
2.4	**DIVIDENDS TO PERSONNEL**		**-**
2.5	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
III.	**EARNINGS PER SHARE**		**-**
3.1	**TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)**		**1.6617**
3.2	**TO OWNERS OF ORDINARY SHARES (%)**		**166.17**
3.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
3.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**
IV.	**DIVIDEND PER SHARE**		**-**
4.1	**TO OWNERS OF ORDINARY SHARES**		**-**
4.2	**TO OWNERS OF ORDINARY SHARES (%)**		**-**
4.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
4.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**

(*) 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 2018 profit distribution is not taken.

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

The accompanying explanations and notes form an integral part of these 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 AND ITS FINANCIAL SUBSIDIARIES

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2017

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

		Notes	Prior Period December 31, 2017
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT**		
1.1	**CURRENT YEAR'S PROFIT**		**4,675,132**
1.2	**TAXES AND LEGAL DUTIES PAYABLE**		**(951,749)**
1.2.1	Corporate tax (income tax)	V-IV-11	(792,677)
1.2.2	Withholding tax		-
1.2.3	Other taxes and duties (*)	V-IV-11	(159,072)
A.	**NET PROFIT FOR THE YEAR**		**3,723,383**
1.3	**DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES**	**V-IV-11**	**-**
B.	**NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME**		**3,723,383**
1.4	**ACCUMULATED LOSSES**		**-**
1.5	**FIRST LEGAL RESERVES**	**V-V-5**	**186,169**
1.6	**OTHER STATUTORY RESERVES**	**V-V-5**	**186,169**
C.	**NET PROFIT AVAILABLE FOR DISTRIBUTION**		**3,351,045**
1.7	**FIRST DIVIDEND TO SHAREHOLDERS**		**125,000**
1.7.1	To owners of ordinary shares		125,000
1.7.2	To owners of privileged shares		-
1.7.3	To owners of redeemed shares		-
1.7.4	To profit sharing bonds		-
1.7.5	To holders of profit and loss sharing certificates		-
1.8	**DIVIDENDS TO PERSONNEL**		**-**
1.9	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
1.10	**SECOND DIVIDEND TO SHAREHOLDERS**		**-**
1.10.1	To owners of ordinary shares		-
1.10.2	To owners of privileged shares		-
1.10.3	To owners of redeemed shares		-
1.10.4	To profit sharing bonds		-
1.10.5	To holders of profit and loss sharing certificates		-
1.11	**SECOND LEGAL RESERVES**		**-**
1.12	**STATUS RESERVES**		**-**
1.13	**EXTRAORDINARY RESERVES**	**V-V-5**	**3,196,380**
1.14	**OTHER RESERVES**		**29,665**
1.15	**SPECIAL FUNDS**	**V-V-5**	**-**
II.	**DISTRIBUTION FROM RESERVES**		**-**
2.1	**DISTRIBUTION OF RESERVES**		**-**
2.2	**SECOND LEGAL RESERVES**		**-**
2.3	**DIVIDENTS TO SHAREHOLDERS**		**-**
2.3.1	To owners of ordinary shares		-
2.3.2	To owners of privileged shares		-
2.3.3	To owners of redeemed shares		-
2.3.4	To profit sharing bonds		-
2.3.5	To holders of profit and loss sharing certificates		-
2.4	**DIVIDENDS TO PERSONNEL**		**-**
2.5	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
III.	**EARNINGS PER SHARE**		**-**
3.1	**TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)**		**1.4894**
3.2	**TO OWNERS OF ORDINARY SHARES (%)**		**148.94**
3.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
3.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**
IV.	**DIVIDEND PER SHARE**		**-**
4.1	**TO OWNERS OF ORDINARY SHARES**		**-**
4.2	**TO OWNERS OF ORDINARY SHARES (%)**		**-**
4.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
4.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**

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

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

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

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 publicliy announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicliy Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué on Disclosures about Risk Management to be Announced to Public by Banks" and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published.

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

The preparation of financial statements according to TFRS requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date 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.

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

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

TFRS 15 "Revenue from Contracts with Customers" ("TFRS 15") standard is effective from January 1, 2018 and has no significant impact on the Bank's accounting policies, financial position and performance.

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

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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.

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

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

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

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

As of September 30, 2016 reporting period, the 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 differences recognized in the income statement as at December 31, 2018 is TL 102,292. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

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

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 27 Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value.

Affiliates are accounted in accordance with TAS 27 Financial Instruments: Recognition and Measurement in the unconsolidated financial statements. Associates, which are traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates which are not traded in an active market and whose fair values cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

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 "TFRS 9 - Financial Instruments".

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

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

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 TFRS 15 "Revenue from Contracts with Customers" standard.

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES

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 TFRS 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.

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.

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 aimes 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.

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

During initial recognition an entity can choose in a irrecovable 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 fows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

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

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

Derivative Financial Assets

The 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 "TFRS 9 Financial Instruments" (TFRS 9). Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts.

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

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method". 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 recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated June 22, 2016 numbered 29750. In this framework, as of December 31, 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. Expected credit loss model is applied to financial assets measured at amortized cost or financial assets at fair value through other comprehensive income (e.g. placements, loans and leasing receivables), loan commitments and financial guarantee contracts.

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

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

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

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

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

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

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

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

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

- 12 Months PD ratio: The probability of default within 12 months from the reporting date estimate

- Lifetime PD ratio: Estimation of the probability of default over the expected life of the financial instrument

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

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

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

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

The 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.

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 the stage2 as a result of the emergence of privileges and financial difficulties in the case of restructuring of financial receivables.

Qualitative Criteria: Implementation of set of qualitative criteria set by the 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.

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

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

Write off Policy

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are reported in the balance sheet as net amount in the cases of the 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.

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.

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

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

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%.

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 assests are capitalized if they extend the economic useful life of related assests. 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

Leasing activities

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

- Finance leasing activities as the lessee

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

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

-Finance leasing transactions as lessor

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

Operational leases

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

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.

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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, 2018 is TL 5,434 (full TL) (December 31, 2017: TL 4,732 (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 at December 31, 2018 and December 31, 2017, the major actuarial assumptions used in the calculation of the total liability are as follows:

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

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

Other benefits to employees

The 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.

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 reassurance 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, 2017 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at December 31, 2018.

XVII. INFORMATION ON TAXATION

Corporate tax

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

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

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

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

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

According to tax legislation, financial losses which are not exceed over 5 years can be deducted from profit of the company. Losses 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 evening of the 25th day of the fourth month following the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records within five years and change the tax amount if there is a wrong transaction.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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 June 10, 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.

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.

XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

The 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.

XX. 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.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at December 31, 2018 and December 31, 2017, the Bank does not have any government incentives.

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

- For which discrete financial information is available.

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

XXIV. OTHER MATTERS

Earnings per shares

Earnings per share has been calculated by dividing the net profit for the 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 year ended December 31, 2018, earnings per 100 shares are full TL 1.6617 (December 31, 2017: full TL 1.4894).

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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

Reclassification procedures in scope of TFRS 9 are stated below.

TFRS 9 Finacial Instruments implementation and effects

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

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

Classification and measurement of financial instruments

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

	Before TFRS 9		In Scope of TFRS 9	
Financial Assets	**Measurement Bases**	**Book Value December 31, 2017**	**Measurement Bases**	**Book Value January 1, 2018**
Cash Balances and Central Bank	Measured at amortized cost	28,644,824	Measured at amortized cost	28,644,824
Banks and Money Markets	Measured at amortized cost	13,539,930	Measured at amortized cost	13,539,930
Marketable Securities	Fair value through profit and loss	263	Fair value through profit and loss	43,633
	Fair value through other comprehensive income (Available-for-sale)	13,549,714	Fair value through other comprehensive income	6,051,817
	Measured at amortized cost (Held to Maturity Investments)	16,766,071	Measured at amortized cost	24,422,643
Derivative Financial Assets Held-for-trading	Fair value through profit and loss	1,936,525	Fair value through profit and loss	1,936,525
Loans (Gross)	Measured at amortized cost	182,932,228	Measured at amortized cost	182,932,228

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

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

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

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

As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39. Explanations of the effect from Bank's application of TFRS 9 can be found below:

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

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

Financial Assets	Before TFRS 9 Book Value December 31, 2017	Reclassifications	Remeasurements	TFRS 9 Book Value January 1, 2018
Fair value through P/L				
Balance before classification (trading financial assets)	263	-	-	-
Classified to available for sales	-	43,370	-	-
Book value after classification	-	-	-	43,633
Fair value through other comprehensive income				
Book value before classification (available for sale)	13,549,714	-	-	-
Financial assets at fair value through profit or loss	-	(43,370)	-	-
Financial assets classified as measured at amortized cost	-	(7,454,527)	-	-
Book value after classification	-	-	-	6,051,817
Measured at amortized cost financial assets				
Balance before classification (held-to-maturity investments)	16,766,071	-	-	-
Classified from available for sale financial assets	-	7,454,527	202,045	-
Book value after classification	-	-	-	24,422,643

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

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

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

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

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

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

(i) Previously classified as "available-for-sale" and as of January 1, 2018 classified as "Fair Value Through Other Comprehensive Income" and

(ii) Previously classified as held-to-maturity and as of January 1, 2018 classified as "measured at amortized cost".

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

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

	Book Value before TFRS 9	Remeasurements	Book Value after TFRS 9
	December 31, 2017		**January 1, 2018**
Loans	**8,307,489**	**(508,313)**	**7,799,176**
Stage 1	1,527,551	(90,072)	1,437,479
Stage 2	181,119	218,054	399,173
Stage 3	6,598,819	(636,295)	5,962,524
Financial Assets (*)	**39,402**	**41,876**	**81,278**
Non-Cash Loans	**292,475**	**216,070**	**508,545**
Stage 1 and 2 (**)	137,421	340,068	477,489
Stage 3 (***)	155,054	(123,998)	31,056
Total	**8,639,366**	**(250,367)**	**8,388,999**

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

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

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

Effects on equity with TFRS 9 transition

Deferred tax rate calculation has started to be measerued over temporary expected provision losses differences according to TFRS 9 articles and BRSA regulations, beginning from January 1, 2018. In this framework, TL 479,084 valued deferred tax asset has been reflected to January 1, 2018 opening financials, and this amount are classified as prior period profit/loss under equity.

TL 250,367 revenue, consisisted from bank's prior period's provisions and new loss provisions that measured in accordance with TFRS 9's expented loss model beginning from January 1, 2018, classified as prior period profit/loss under equity.

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

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

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

Loans and Receivables

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

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

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

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SECTION FOUR
INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON EQUITY ITEMS

Calculation of Equity and Capital Adequacy Standard Ratio are calculated according to "Regulation on Bank's Capital Adequacy Assessment of the Measurement", "Communique on Credit Risk Mitigation","BRSA Regulation on Bank's Shareholder Equity", "Regulations on Systemically Important Banks", "Regulation on Capital Conservation and Cyclical Capital Buffer". As of December 31, 2018 Bank's capital adequacy ratio is 16.99% (December 31, 2017: 15.52%).

Current Period - December 31, 2018	**Amount**	**Amount as per the regulation before 1/1/2014***
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	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) (-)	-	-

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Current Period - December 31, 2018	**Amount**	**Amount as per the regulation before 1/1/2014***
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	**4,993,575**	
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 (-)	-	-
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 (-)		

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Current Period - December 31, 2018	Amount	Amount as per the regulation before 1/1/2014*
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 accounts 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 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 (%)	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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Prior Period - December 31, 2017	Amount	Amount as per the regulation before 1/1/2014*
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	14,296,045	
Income recognized under equity in accordance with TAS	2,245,222	
Profit	3,723,383	
Current Period's Profit	3,723,383	
Prior Period's Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	91,823	
Common Equity Tier 1 Capital Before Deductions	**23,580,391**	
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 (-)	322,573	-
Leasehold Improvements on Operational Leases (-)	182,977	-
Goodwill netted with deferred tax liability (-)	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights (-)	168,776	210,970
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	**674,326**	
Common Equity Tier 1 capital (CET1)	**22,906,065**	
Additional Tier 1 capital: instruments	**-**	
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	-	

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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 (-)	-	-
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 (-)	42,194	-
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	**-**	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**22,863,871**	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	4,083,838	
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	814,407	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	
Tier 2 Capital Before Deductions	**5,969,331**	
Deductions From Tier 2 Capital	**-**	**-**
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	**-**	
Tier 2 Capital	**5,969,331**	
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	**28,833,202**	
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	**-**	
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	
Other items to be defined by the BRSA (-)	1,355	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	**-**	**-**
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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Prior Period - December 31, 2017	**Amount**	**Amount as per the regulation before 1/1/2014***
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	28,831,847	-
Total Risk Weighted Amounts	185,800,511	-
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12.33	-
Tier 1 Capital Adequacy Ratio (%)	12.31	-
Capital Adequacy Ratio (%)	15.52	-
BUFFERS		
Total buffer requirement	1.255	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.005	-
Systemically important bank buffer requirement (%)[(**)]	-	-
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 (%)	7.83	-
Amounts below deduction thresholds	**-**	**-**
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	**-**	**-**
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,136,162	-
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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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Summary information related to capital adequacy ratio

Current Period - December 31, 2018

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFBA0043
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	651	2,632	1,202	525	4,994
Par value of instrument (in million)	3,365	2,632	1,202	525	4,994
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023

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

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Prior Period - 31 December 2017

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	815	1,884	860	525
Par value of instrument (in million)	2,542	1,890	860	525
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.

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

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Reconciliation of capital items to balance sheet:

	Current Period - December 31, 2018
Shareholders' equity	28,350,190
Leasehold improvements on operational leases	(200,571)
Goodwill and intangible assets	(218,152)
General provision (1.25% of the amount that subject to credit risk)	2,772,335
Subordinated debt	10,003,592
Deductions from shareholders' equity	(1,444)
Capital	**40,705,950**

	Prior Period - December 31, 2017
Shareholders' equity	23,257,818
Leasehold improvements on operational leases	(182,977)
Goodwill and intangible assets	(168,776)
General provision (1.25% of the amount that subject to credit risk)	1,885,493
Subordinated debt	4,083,838
Deductions from shareholders' equity	(43,549)
Capital	**28,831,847**

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,
- 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 32.18% of the total cash loan portfolio (December 31, 2017: 26.52%).

The Bank's largest 100 non-cash loan customers compose 50.47% of the total non-cash loan portfolio (December 31, 2017: 53.48%).

The Bank's largest 100 cash loan customers compose 21.52% of total assets of the Bank and the Bank's largest 100 non-cash loan customers compose 13.78% of total off-balance sheet items (December 31, 2017: 17.93% and 16.99%).

The Bank's largest 200 cash loan customers compose 39.40% of the total cash loan portfolio (December 31, 2017: 32.81%).

The Bank's largest 200 non-cash loan customers compose 64.06% of the total non-cash loan portfolio (December 31, 2017: 65.73%).

The Bank's largest 200 cash loan customers compose 26.35% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 17.49% of total off-balance sheet items (December 31, 2017: 22.18% and 20.88%).

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Information on loan types and expected loss provisions:

	Commercial Loans		Consumer Loans		Credit Cards		Total	
Current Period-31 December 2018	**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 2018	**Stage 1**	**Stage 2**	**Stage 3**
Provision balance at the beginning (1 January 2018)	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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The general provision for credit risk amounts to TL 3,002,420 (December 31, 2017: TL 1,885,493).

Risk Classifications:	**Current 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.

Risk Classifications:	**Prior Period Risk Amount(**)**	**Average Risk Amount (*)(**)**
Claims on sovereigns and Central Banks	93,274,872	74,840,199
Claims on regional governments or local authorities	6,911,090	5,774,930
Claims on administrative bodies and other non-commercial undertakings	438,782	1,100,510
Claims on multilateral development banks	1,583	766
Claims on international organizations	-	-
Claims on banks and intermediary institutions	15,512,752	12,469,312
Claims on corporate	86,475,062	78,889,723
Claims included in the regulatory retail portfolios	50,027,447	47,829,523
Claims secured by residential property	48,390,010	46,101,812
Past due loans	1,039,387	1,076,847
Higher risk categories decided by the Agency	220,667	161,770
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	263	168
Stock Investments	2,606,386	2,358,540
Other claims	8,395,667	6,816,384

(*) Before reducing the credit risk, the rate of the post credit conversion is given.
(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2017 period.

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

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

Current Period - December 31, 2018	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

Prior Period - December 31, 2017	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non-commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured 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	84,447,479	6,907,856	438,782	-	-	2,935,346	80,320,911	50,024,494	48,042,681	1,039,387	-	-	-	-	263	43,370	8,395,667	282,596,236
EU countries	-	-	-	1,447	-	10,390,621	-	-	-	-	476	-	-	-	-	-	-	10,392,544
OECD countries (*)	-	-	-	-	-	493,249	-	-	-	-	-	-	-	-	-	-	-	493,249
Off-shore banking regions	-	3,234	-	-	-	113,075	4,247,432	2,953	328,856	-	-	-	-	-	-	-	-	4,695,550
USA, Canada	8,827,393	-	-	136	-	1,390,568	1,810,274	-	18,473	-	-	-	-	-	-	-	-	12,046,844
Other countries	-	-	-	-	-	84,991	96,445	-	-	-	220,191	-	-	-	-	-	-	401,627
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	104,902	-	-	-	-	-	-	-	-	-	2,563,016	-	2,667,918
Undistributed Assets/ Liabilities(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**93,274,872**	**6,911,090**	**438,782**	**1,583**	**-**	**15,512,752**	**86,475,062**	**50,027,447**	**48,390,010**	**1,039,387**	**220,667**	**-**	**-**	**-**	**263**	**2,606,386**	**8,395,667**	**313,293,968**

(*) 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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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

Risk profile according to sectors and counterparties (*)

Current Period - December 31, 2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	**249,212**	**456**	**3**	**-**	**-**	**-**	**191,990**	**632,031**	**507,652**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,502,729**	**78,615**	**1,581,344**
Farming and raising livestock	*241,600*	*456*	*3*	-	-	-	*171,621*	*588,930*	*497,290*	-	-	-	-	-	-	-	-	*1,444,227*	*55,673*	*1,499,900*
Forestry	*4,832*	-	-	-	-	-	*16*	*35,356*	*3,648*	-	-	-	-	-	-	-	-	*43,852*	-	*43,852*
Fishing	*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**
Mining	*152,485*	-	-	-	-	-	*4,294,125*	*116,507*	*177,314*	-	-	-	-	-	-	-	-	*759,633*	*3,980,798*	*4,740,431*
Production	*5,398,712*	-	*15*	-	-	-	*29,637,093*	*3,980,055*	*6,477,059*	-	-	-	-	-	-	-	-	*19,786,620*	*25,706,314*	*45,492,934*
Electric, Gas, Water	*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**
Wholesale and retail trade	*2,752*	*447*	-	-	-	-	*27,335*	*10,930*	*1,954*	-	-	-	-	-	-	-	-	*37,532*	*5,886*	*43,418*
Hotel, Food and Beverage Services	*594,240*	*11*	*15*	-	-	-	*3,308,164*	*1,002,265*	*4,446,983*	-	-	-	-	-	-	-	-	*2,741,981*	*6,609,697*	*9,351,678*
Transportation and Telecommunication	*785,420*	*32*	*27,815*	-	-	-	*17,563,826*	*4,036,493*	*1,830,082*	-	-	-	-	-	-	-	-	*7,777,494*	*16,466,174*	*24,243,668*
Financial Institutions	*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*
Real Estate and renting services	*235,130*	-	*76,382*	-	-	-	*1,808,132*	*1,477,467*	*1,557,067*	-	-	-	-	-	-	-	-	*3,946,713*	*1,207,465*	*5,154,178*
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	*193,038*	-	*75*	-	-	-	*339,487*	*150,835*	*527,039*	-	-	-	-	-	-	-	-	*1,207,501*	*2,973*	*1,210,474*
Health and social services	*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.

1- Claims on sovereigns and Central Banks
2- Claims on regional governments or local authorities
3- Claims on administrative bodies and other non-commercial undertakings
4- Claims on multilateral development banks
5- Claims on international organizations
6- Claims on banks and intermediary institutions
7- Claims on corporates
8- Claims included in the regulatory retail portfolios
9- Claims secured by residential property
10- Past due loans
11- Higher risk categories decided by the Board
12- Secured by mortgages
13- Securitization positions
14- Short-term claims and short term corporate claims on banks and intermediary institutions
15- Undertakings for collective investments in mutual funds
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Risk profile according to sectors and counterparties (*)

Prior Period - December 31, 2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Toplam
Agricultural	**190,377**	**444**	**10**	**-**	**-**	**-**	**191,847**	**521,938**	**445,896**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,300,468**	**50,044**	**1,350,512**
Farming and raising livestock	182,614	444	10	-	-	-	190,409	495,664	432,391	-	-	-	-	-	-	-	-	1,253,437	48,095	1,301,532
Forestry	6,204	-	-	-	-	-	12	18,521	4,603	-	-	-	-	-	-	-	-	29,340	-	29,340
Fishing	1,559	-	-	-	-	-	1,426	7,753	8,902	-	-	-	-	-	-	-	-	17,691	1,949	19,640
Manufacturing	**5,105,301**	**187,304**	**61,438**	**-**	**-**	**-**	**35,594,314**	**3,671,243**	**6,413,129**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,480,235**	**29,552,494**	**51,032,729**
Mining	129,600	-	-	-	-	-	2,929,399	118,087	145,433	-	-	-	-	-	-	-	-	645,416	2,677,103	3,322,519
Production	4,897,999	30	75	-	-	-	22,149,831	3,354,038	6,089,190	-	-	-	-	-	-	-	-	17,587,629	18,903,534	36,491,163
Electric, Gas, Water	77,702	187,274	61,363	-	-	-	10,515,084	199,118	178,506	-	-	-	-	-	-	-	-	3,247,190	7,971,857	11,219,047
Construction	**2,952,772**	**890**	**3,395**	**-**	**-**	**-**	**11,066,164**	**2,651,520**	**6,780,970**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,217,010**	**8,238,701**	**23,455,711**
Services	**50,188,812**	**6,706,806**	**176,666**	**1,583**	**-**	**15,512,752**	**17,478,456**	**6,935,084**	**8,239,232**	**-**	**220,667**	**-**	**-**	**-**	**263**	**43,370**	**-**	**58,447,114**	**47,056,577**	**105,503,691**
Wholesale and retail trade	6,852	232	-	-	-	-	16,079	3,743	1,784	-	-	-	-	-	-	-	-	8,929	19,761	28,690
Hotel, Food and Beverage Services	526,253	11	263	-	-	-	1,726,737	777,934	3,323,258	-	-	-	-	-	-	-	-	2,330,352	4,024,104	6,354,456
Transportation and Telecommunication	913,632	11,378	23,397	-	-	-	10,190,783	4,629,489	2,230,411	-	-	-	-	-	-	-	-	8,059,607	9,939,483	17,999,090
Financial Institutions	47,943,735	10	733	1,583	-	15,512,752	3,704,075	146,088	946,723	-	220,667	-	-	-	263	43,370	-	37,283,253	31,236,746	68,519,999
Real Estate and renting services	215,895	-	70,183	-	-	-	1,095,952	1,058,137	919,586	-	-	-	-	-	-	-	-	2,610,958	748,795	3,359,753
Self-employment services	4,905	1,513	241	-	-	-	116	2	-	-	-	-	-	-	-	-	-	6,777	-	6,777
Education services	164,013	11	626	-	-	-	232,813	128,211	420,193	-	-	-	-	-	-	-	-	934,571	11,296	945,867
Health and social services	413,527	6,693,651	81,223	-	-	-	511,901	191,480	397,277	-	-	-	-	-	-	-	-	7,212,667	1,076,392	8,289,059
Other	**34,837,610**	**15,646**	**197,273**	**-**	**-**	**-**	**22,144,281**	**36,247,662**	**26,510,783**	**1,039,387**	**-**	**-**	**-**	**-**	**-**	**2,563,016**	**8,395,667**	**91,221,658**	**40,729,667**	**131,951,325**
Total	**93,274,872**	**6,911,090**	**438,782**	**1,583**	**-**	**15,512,752**	**86,475,062**	**50,027,447**	**48,390,010**	**1,039,387**	**220,667**	**-**	**-**	**-**	**263**	**2,606,386**	**8,395,667**	**187,666,485**	**125,627,483**	**313,293,968**

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

1- Claims on sovereigns and Central Banks
2- Claims on regional governments or local authorities
3- Claims on administrative bodies and other non-commercial undertakings
4- Claims on multilateral development banks
5- Claims on international organizations
6- Claims on banks and intermediary institutions
7- Claims on corporates
8- Claims included in the regulatory retail portfolios
9- Claims secured by residential property
10- Past due loans
11- Higher risk categories decided by the Board
12- Secured by mortgages
13- Securitization positions
14- Short-term claims and short term corporate claims on banks and intermediary institutions
15- Undertakings for collective investments in mutual funds
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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

	According to their outstanding maturities					
Risk Classifications-Current Period - December 31, 2018	**1 month**	**1-3 month**	**3-6 month**	**6-12 month**	**1 year and over**	**Undistributed**
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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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

	According to their outstanding maturities				
Risk Classifications-Prior Period - December 31, 2017	**1 month**	**1-3 month**	**3-6 month**	**6-12 month**	**1 year and over**
Claims on sovereigns and Central Banks	6,977,725	252,551	758,827	1,571,397	83,714,372
Claims on regional governments or local authorities	9,682	9,196	28,124	235,613	6,628,475
Claims on administrative bodies and other non-commercial undertakings	1,426	1,690	3,390	66,488	365,788
Claims on multilateral development banks	1,583	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	3,692,962	1,869,140	240,445	57,924	9,652,281
Claims on corporate	2,712,960	4,078,255	6,484,943	12,519,643	60,679,261
Claims included in the regulatory retail portfolios	592,658	1,398,041	2,388,791	5,872,574	39,775,383
Claims secured by residential property	715,960	1,295,000	2,647,802	6,139,142	37,592,106
Past due loans	-	-	-	-	1,039,387
Higher risk categories decided by the Agency	4,083	1,105	2,265	887	212,327
Marketable securities secured by mortgages	-	-	-	-	-
Securitization exposures	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	263
Stock Investments	-	-	-	-	2,606,386
Other claims	-	-	-	-	8,395,667
TOTAL	**14,709,039**	**8,904,978**	**12,554,587**	**26,463,668**	**250,661,696**

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

Risk balances according to risk weights

Risk Weights Current Period - December 31, 2018	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**200%**	**250%**	**1250%**	**Deductions from the shareholders' equity**
Pre-Amount of Credit Risk Mitigation	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

Risk Weights Prior Period - December 31, 2017	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**200%**	**250%**	**1250%**	**Deductions from the shareholders' equity**
Pre-Amount of Credit Risk Mitigation	85,170,351	-	5,735,499	23,271,806	44,311,654	50,027,447	104,556,544	220,667	-	-	-	395,302
Amount after Credit Risk Mitigation	88,234,001	-	4,128,073	23,271,806	46,849,682	49,693,331	100,896,408	220,667	-	-	-	395,302

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

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

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

Information According to Sectors and Counterparties

Major Sectors / Counterparties

Current 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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	Loans			
Prior Period - December 31, 2017	**Impaired**	**Past Due**	**Value Adjustments**	**Provisions**
Agricultural	**49,564**	**73,741**	**1,420**	**40,488**
Farming and raising livestock	*45,271*	*72,536*	*1,395*	*36,982*
Forestry	*2,207*	*923*	*20*	*2,042*
Fishing	*2,086*	*282*	*5*	*1,464*
Manufacturing	**1,418,585**	**662,702**	**18,754**	**1,152,837**
Mining	*113,934*	*71,292*	*1,641*	*110,219*
Production	*1,298,469*	*502,312*	*13,001*	*1,036,732*
Electric, Gas, Water	*6,182*	*89,098*	*4,112*	*5,886*
Construction	**791,869**	**580,653**	**12,394**	**702,786**
Services	**2,913,617**	**2,982,220**	**68,074**	**2,525,464**
Wholesale and retail trade	*2,049,107*	*1,114,163*	*25,183*	*1,804,680*
Hotel, Food and Beverage Services	*103,954*	*187,259*	*3,844*	*90,251*
Transportation and telecommunication	*391,091*	*759,229*	*13,311*	*332,833*
Financial Institutions	*15,550*	*15,741*	*203*	*14,680*
Real estate and renting services	*61,752*	*835,721*	*16,650*	*53,351*
Self-employment services	*183,449*	*6,922*	*7,555*	*150,312*
Education services	*18,070*	*40,977*	*938*	*17,454*
Health and social services	*90,644*	*22,208*	*390*	*61,903*
Other	**2,464,571**	**4,232,963**	**213,400**	**2,177,244**
Total	**7,638,206**	**8,532,279**	**314,042**	**6,598,819**

Information on Changes in Value Adjustments and Credit Provisions

Current Period - December 31, 2018	**Opening Balance (before TFRS 9) 31 December 2017**	**Remeasurments**	**Opening Balance (after TFRS 9) 1 January 2018**	**Provisions reserved during the period**	**Cancelations**	**Other Adjustments(*)**	**Closing Balance**
Specific provisions (stage 3)	6,598,819	(636,295)	5,962,524	2,986,413	(933,910)	4,922	8,019,949
General provisions (stage 1-2)	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.

Prior Period - December 31, 2017	**The opening Balance**	**Provisions reserved during the period**	**Cancelations**	**Other Adjustments(*)**	**Closing Balance**
Specific provisions	5,320,120	2,194,095	(936,786)	21,390	6,598,819
General provisions (**)	2,167,443	208	(280,949)	(1,209)	1,885,493

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

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

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Fair value of collateral held against impaired loans

	Current Period - December 31, 2018
Cash collateral (*)	-
Mortgage	4,688,013
Promissory note (*)	-
Others (**)	6,112,144
Total	**10,800,157**

	Prior Period - December 31, 2017
Cash collateral (*)	-
Mortgage	3,059,895
Promissory note (*)	-
Others (**)	4,578,311
Total	**7,638,206**

(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.
(**) Sureties obtained for impaired loans are presented in this raw to the extent that the amount does not exceed the amount of impaired loans.

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

Cash loans	**Current Period - December 31, 2018**
Secured Loans:	**176,246,675**
Secured by mortgages	1,308,588
Secured by cash collateral	50,382,328
Guarantees issued by financial institutions	24,287,362
Secured by government institutions or government securities	491,853
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	99,776,544
Unsecured Loans	**45,360,075**
Total performing loans	**221,606,750**

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Cash loans	Prior Period - December 31, 2017
Secured Loans:	**142,928,602**
Secured by mortgages	46,667,479
Secured by cash collateral	803,321
Guarantees issued by financial institutions	434,954
Secured by government institutions or government securities	19,124,808
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	75,898,040
Unsecured Loans	**40,003,626**
Total performing loans	**182,932,228**

Non-cash loans	Current Period - December 31, 2018
Secured Loans:	**36,358,092**
Secured by mortgages	236,830
Secured by cash collateral	4,239,700
Guarantees issued by financial institutions	608,368
Secured by government institutions or government securities	211,206
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	31,061,988
Unsecured Loans	**28,807,184**
Total non-cash loans	**65,165,276**

Non-cash loans	Prior Period- December 31, 2017
Secured Loans:	**24,286,702**
Secured by mortgages	3,210,379
Secured by cash collateral	149,782
Guarantees issued by financial institutions	158,194
Secured by government institutions or government securities	570,608
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,197,739
Unsecured Loans	**26,480,882**
Total non-cash loans	**50,767,584**

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Exposures subject to countercyclical capital buffer

Current Period

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

Prior Period

Ultimate Risk Taken Country	RWA Calculations for Private Sector Loans in Banking Book	RWA calculations for Trading Book	Total
Turkey	155,241,676	-	155,241,676
USA	2,078,814	-	2,078,814
England	1,690,247	-	1,690,247
France	1,360,764	-	1,360,764
Iraq	414,494	-	414,494
Switzerland	72,579	-	72,579
Netherlands	262,142	-	262,142
Germany	28,984	-	28,984
Austria	114,367	-	114,367
Lebanon	30,841	-	30,841
Other	4,536,296	-	4,536,296
Total	**165,831,204**	**-**	**165,831,204**

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

III. FOREIGN CURRENCY EXCHANCE 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, 2018 and December 31, 2017 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	**5.2800**	**6.0387**
Foreign currency purchase rates for the days before balance sheet date;		
Day 1	5.2729	6.0467
Day 2	5.2868	6.0272
Day 3	5.2798	6.0140
Day 4	5.3022	6.0258
Day 5	5.2966	6.0518
	US Dollar	**Euro**
Last 30-days arithmetical average rate	**5.3048**	**6.0348**

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Information on currency risk

Current Period - December 31, 2018	**Euro**	**US Dollar**	**Other FC**	**Total**
Assets:				
Cash and balances with the Central Bank of Republic of Turkey	13,791,035	7,785,969	5,441,928	27,018,932
Banks	1,092,297	3,719,166	202,586	5,014,049
Financial assets at fair value through profit or loss	-	69,766	-	69,766
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	536,578	738,393	-	1,274,971
Loans [1]	38,003,848	46,137,615	101,342	84,242,805
Associates, subsidiaries and joint-ventures	403,558	-	-	403,558
Financial assets measured at amortized cost	712,041	6,891,181	-	7,603,222
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	10,130	-	10,130
Intangible assets	-	-	-	-
Other assets [2]	1,739,209	6,746,778	4,103	8,490,090
Total assets	**56,278,566**	**72,098,998**	**5,749,959**	**134,127,523**
Liabilities:				
Bank deposits	1,144,576	3,827,812	777,891	5,750,279
Foreign currency deposits	29,146,095	31,829,812	3,089,695	64,065,602
Interbank money market takings	610,543	1,498,661	-	2,109,204
Other funding	15,440,294	25,147,362	14,573	40,602,229
Securities issued	6,158,675	8,813,318	-	14,971,993
Miscellaneous payables	1,480,557	110,842	189	1,591,588
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities [3]	543,524	10,443,861	8,342	10,995,727
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	**(1,775,864)**	**11,426,323**	**(1,848,448)**	**7,802,011**
Derivative assets [5]	11,475,935	36,297,298	1,775,373	49,548,606
Derivative liabilities [5]	13,251,799	24,870,975	3,623,821	41,746,595
Non-cash loans [4]	11,157,110	16,614,455	421,791	28,193,356

Prior Period - December 31, 2017	**Euro**	**US Dollar**	**Other FC**	**Total**
Total assets	32,489,306	63,997,115	6,868,649	103,355,070
Total liabilities	34,106,813	68,776,305	2,260,489	105,143,607
Net 'on balance sheet' position	(1,617,507)	(4,779,190)	4,608,160	(1,788,537)
Net 'off-balance sheet' position	1,768,133	5,432,457	(4,605,831)	2,594,759
Derivative assets [5]	4,654,449	18,670,060	270,591	23,595,100
Derivative liabilities [5]	2,886,316	13,237,603	4,876,422	21,000,341
Non-cash loans [4]	5,608,465	12,773,104	276,093	18,657,662

[1].Foreign currency indexed loans amounting to TL 2,798,062 (December 31, 2017: TL 4,702,183) which are presented in TL column in the balance sheet are included in the table above.
[2].Prepaid expenses amounting to TL 142,476 (December 31, 2017: TL 91,557) and derivative financial assets amounting to TL 63,304 (December 31, 2017: TL 13,988) are not included.
[3].Unearned revenues amounting to TL 273,713 (December 31, 2017: TL 189,318), derivative financial liabilities amounting to TL 99,068 (December 31, 2017: TL 34,450) and equities amounting to TL 16,641 (December 31, 2017: TL 195,883) are not included.
[4].Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.
[5].Asset purchase commitments amounting to TL 795,287 (December 31, 2017: TL 232,555) and asset sales commitments amounting to TL 1,457,340 (December 31, 2017: TL 728,635) are included.

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Exposure to currency risk

10% appreciation of the TL against the following currencies as at and for the year ended December 31, 2018 and December 31, 2017 would have effect on 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, 2018	
	Profit or loss	**Equity (*)**
US Dollar	184,352	184,352
Euro	(2,156)	(42,512)
Other currencies	1,082	1,082
Total, net (**)	**183,278**	**142,922**

	Prior Period- December 31, 2017	
	Profit or loss	**Equity (*)**
US Dollar	64,565	64,565
Euro	(21,162)	(21,162)
Other currencies	233	233
Total, net (**)	**43,636**	**43,636**

(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.
(**) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

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

	Current Period - December 31, 2018	
	Profit or loss	**Equity (*)**
US Dollar	(184,352)	(184,352)
Euro	2,156	42,512
Other currencies	(1,082)	(1,082)
Total, net (**)	**(183,278)**	**(142,922)**

	Prior Period - December 31, 2017	
	Profit or loss	**Equity (*)**
US Dollar	(64,565)	(64,565)
Euro	21,162	21,162
Other currencies	(233)	(233)
Total, net (**)	**(43,636)**	**(43,636)**

(*) Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.
(**) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

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IV. 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, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets:							
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	20,590,682	2,780,209	221,546,517
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	19,034,315	23,481,993
Total assets	**118,592,003**	**21,219,166**	**50,808,531**	**65,955,871**	**29,877,226**	**44,902,844**	**331,355,641**
Liabilities:							
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	1,552,404	4,496,814	14,549,605	-	-	22,347,064
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	379,826	516,592	6,221,639	8,385,969	36,616,619	52,190,873
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	19,939,465	-	88,355,832
On balance sheet short position	(19,092,816)	(33,699,656)	-	-	-	(35,563,360)	(88,355,832)
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**	**19,175,671**	**(35,563,360)**	**3,911,004**

(*) Subsidiaries, associates and tangible and intangible assets, and deferred tax are stated in non-interest bearing column.
(**) Equity is included in non-interest bearing column in other liabilities line.
(***) Non-performing loans and net offsets of stage 3 expected loss provisions are shown in the "Non-Interest Bearing" column.

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Prior Period - December 31, 2017	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Non-Interest Bearing**	**Total**
Assets:							
Cash and balances with CBRT	16,440,969	-	-	-	-	12,203,855	28,644,824
Banks	10,420,962	339,044	8,187	-	-	1,119,635	11,887,828
Financial assets at fair value through profit/loss	362,422	478,847	160,593	821,339	113,324	263	1,936,788
Interbank money market placements	1,652,102	-	-	-	-	-	1,652,102
Available-for-sale financial assets	3,068,976	1,572,628	4,215,856	3,919,288	729,596	43,370	13,549,714
Loans and receivables	80,792,041	10,839,504	31,219,398	40,081,705	19,999,580	1,039,387	183,971,615
Held-to-maturity investments	986,375	2,743,646	6,217,027	4,327,554	2,491,469	-	16,766,071
Other assets [(*)]	10,495	7	253	361	-	12,151,652	12,162,768
Total assets	**113,734,342**	**15,973,676**	**41,821,314**	**49,150,247**	**23,333,969**	**26,558,162**	**270,571,710**
Liabilities:							
Bank deposits	8,268,276	842,741	177,301	-	-	489,785	9,778,103
Other deposits	82,004,246	23,910,761	9,926,461	30,065	-	29,627,486	145,499,019
Interbank money market takings	21,616,184	-	140,509	449,402	64,742	-	22,270,837
Miscellaneous payables	-	-	-	-	-	6,848,328	6,848,328
Securities issued	1,089,758	2,007,529	5,838,303	9,383,681	1,165,827	-	19,485,098
Funds borrowed	8,690,010	11,049,075	5,215,950	1,453,908	1,663,576	235,102	28,307,621
Other liabilities [(**)]	21,457	175,115	517,987	4,116,157	2,292,989	31,258,999	38,382,704
Total liabilities	**121,689,931**	**37,985,221**	**21,816,511**	**15,433,213**	**5,187,134**	**68,459,700**	**270,571,710**
On balance sheet long position	-	-	20,004,803	33,717,034	18,146,835	-	71,868,672
On balance sheet short position	(7,955,589)	(22,011,545)	-	-	-	(41,901,538)	(71,868,672)
Off-balance sheet long position	1,267,350	3,559,363	140,118	-	162,518	-	5,129,349
Off-balance sheet short position	-	-	-	(2,683,485)	-	-	(2,683,485)
Net position	**(6,688,239)**	**(18,452,182)**	**20,144,921**	**31,033,549**	**18,309,353**	**(41,901,538)**	**2,445,864**

[(*)] Subsidiaries, associates and tangible and intangible assets, and deferred tax are stated in non-interest bearing column.
[(**)] Equity is included in non-interest bearing column in other liabilities line.

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

Current 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	-	-	-	-
Available-for-sale financial assets	1.75	6.88	-	16.41
Loans and receivables	5.54	8.04	-	21.07
Held-to-maturity investments	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

Prior Period - December 31, 2017	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.12	4.02	-	12.76
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	5.20	4.07	-	11.96
Loans and receivables	4.85	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
Liabilities:				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.76	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.59
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.69
Funds borrowed	1.28	3.20	-	10.24

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

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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 IV.

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

Current Period - December 31, 2018		Comparison	
Stock Investments	**Carrying Value**	**Fair Value(*)**	**Market Value(*)**
Stocks quoted in exchange(*)	**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.

Prior Period - December 31, 2017		Comparison	
Stock Investments	**Carrying Value**	**Fair Value(*)**	**Market Value(*)**
Stocks quoted in exchange(*)	**871,231**	**871,231**	**871,231**
1.Stocks Investments Group A	871,231	871,231	871,231
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange(**)	**1,735,155**	**1,634,967**	**-**

(*) 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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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:

		Revaluation Surplus		Unrealized Gain and Loss	
Portfolio-Current Period- December 31, 2018	**Realized Gain/Loss in Current Period**	**Total (*)**	**Included in Supplemantary Capital**	**Total (*)**	**Included in Supplemantary 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.

		Revaluation Surplus		Unrealized Gain and Loss	
Portfolio-Prior Period - December 31, 2017	**Realized Gain/Loss in Current Period**	**Total (*)**	**Included in Supplemantary Capital**	**Total (*)**	**Included in Supplemantary Capital**
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	251,676	251,676
3. Other Stocks	-	992,670	992,670	-	-
4. Total	**-**	**992,670**	**992,670**	**251,676**	**251,676**

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

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period - December 31, 2018	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	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**

Portfolio-Prior Period - December 31, 2017	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	871,231	871,231	69,699
3.Other Stocks	1,735,155	1,735,155	138,812
4. Total	**2,606,386**	**2,606,386**	**208,511**

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

It is taken as a basis that the 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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The Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages are calculated weekly related to the last three months.The highest value and the lowest value occurred in this period are given 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

Liquidity Coverage Ratio

	Current Period - December 31, 2018	Total unweighted value (*)		Total weighted value(*)	
		TL+FC	FC	TL+FC	FC
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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The Bank's Foreign Currency (FC) and total (TL+FC) liquidity coverage ratio (LCR) averages are calculated weekly related to the last three months. The highest value and the lowest value occurred in the prior period are given below:

Liquidity Coverage Ratio	**TL+FC**		**FC**	
	DATE	**RATIO (%)**	**DATE**	**RATIO (%)**
The lowest value	November 3, 2017	92.8	10.11.2017	217.96
The highest value	December 29, 2017	116.18	29.12.2017	255.77

	Prior Period - December 31, 2017	**Total unweighted value (*)**		**Total weighted value(*)**	
		TL+FC	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			35,096,294	25,035,823
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	70,032,187	23,622,856	5,934,881	2,362,286
3	Stable deposits	21,366,750	-	1,068,337	-
4	Less stable deposits	48,665,437	23,622,856	4,866,544	2,362,286
5	Unsecured wholesale funding, of which:	72,669,268	22,549,754	30,645,411	11,790,610
6	Operational deposits	44,462,727	9,075,213	11,115,682	2,268,803
7	Non-operational deposits	20,242,152	10,138,320	11,787,501	6,407,237
8	Unsecured debt	7,964,389	3,336,221	7,742,228	3,114,570
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,310,024	7,076,659	8,310,024	7,076,659
11	Outflows related to derivative exposures and other collateral requirements	8,310,024	7,076,659	8,310,024	7,076,659
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	21,058,862	20,540,725	1,052,943	1,027,036
15	Other contingent funding obligations	56,786,818	13,481,508	6,485,099	1,238,265
16	**TOTAL CASH OUTFLOWS**			**52,428,358**	**23,494,856**
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	16,761,213	8,319,742	12,170,931	7,340,331
19	Other cash inflows	5,761,250	5,478,192	5,761,250	5,478,192
20	**TOTAL CASH INFLOWS**	**22,522,463**	**13,797,934**	**17,932,181**	**12,818,523**
				Upper Limit Applied Amounts	
21	**TOTAL HQLA**			**35,096,294**	**25,035,823**
22	**TOTAL NET CASH OUTFLOWS**			**34,496,177**	**10,676,333**
23	**LIQUIDITY COVERAGE RATIO (%)**			**102.23**	**235.38**

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

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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, 2018	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
Assets:								
Cash and balance with CBRT	29,688,041	2,566,448	-	-	-	-	-	32,254,489
Banks	1,205,251	2,614,935	598,137	307,355	292,915	-	-	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	-	131,504	615,583	1,674,046	4,436,633	2,141,160	3,452	9,002,378
Loans and receivables	-	21,005,225	6,473,400	40,629,883	90,699,852	59,957,949	2,780,208	221,546,517
Financial assets measured at amortized cost	-	84,591	1,574,115	1,991,249	19,685,216	16,645,339	-	39,980,510
Other assets	1,645	1,629,108	23,089	482,850	3,355,283	496,031	17,493,987	23,481,993
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**
Liabilities:								
Bank deposits	397,207	5,059,670	1,394,780	212,887	-	-	-	7,064,544
Other deposits	35,684,559	95,819,478	29,611,534	11,079,417	148,375	-	-	172,343,363
Funds borrowed	-	1,218,442	3,447,166	16,725,817	13,608,934	6,349,477	-	41,349,836
Interbank money market takings	-	26,100,364	674,788	-	1,656,338	292,247	-	28,723,737
Securities issued	-	1,650,022	1,464,583	3,636,192	15,596,267	-	-	22,347,064
Miscellaneous payables	-	-	-	-	-	-	7,336,224	7,336,224
Other liabilities	-	1,653,260	359,144	73,478	5,510,410	4,727,220	39,867,361	52,190,873
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	**-**	**(15,664)**	**108,585**	**394,877**	**2,851,166**	**407,765**	**-**	**3,746,729**
Receivables from Derivative Financial Instruments	-	10,630,781	1,407,572	3,982,511	24,324,945	16,398,541	-	56,744,350
Payables from Derivative Financial Instruments	-	10,646,445	1,298,987	3,587,634	21,473,779	15,990,776	-	52,997,621
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,586,221	6,765,309	1,137,888	-	65,165,276

Prior Period - December 31, 2017	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
Total assets	29,780,486	29,045,026	5,809,161	34,622,640	102,528,322	56,963,879	11,822,196	270,571,710
Total liabilities	30,117,271	119,491,273	28,902,445	27,811,122	21,687,165	11,265,593	31,296,841	270,571,710
Liquidity gap	**(336,785)**	**(90,446,247)**	**(23,093,284)**	**6,811,518**	**80,841,157**	**45,698,286**	**(19,474,645)**	**-**
Net Off Balance Sheet Position	**-**	**92,650**	**7,777**	**112,825**	**1,271,821**	**974,446**	**-**	**2,459,519**
Receivables from Derivative Financial Instruments	-	4,136,503	3,080,526	2,801,093	13,990,524	7,587,873	-	31,596,519
Payables from Derivative Financial Instruments	-	4,043,853	3,072,749	2,688,268	12,718,703	6,613,427	-	29,137,000
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,371,102	5,895,657	1,255,848	-	50,767,584

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationery, pre-paid expenses and non-performing loans and non-performing loans net-off related provision for expected loss of stage 3 are shown in this column.

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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 %7.59%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2017: %6.80%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

Leverage ratio common disclosure template

	On-balance sheet exposures	**Current Period - December 31, 2018 (*)**
1.	On-balance sheet items (excluding derivatives and SFTs; including collateral)	328,997,028
2.	Assets deducted in determining Basel III Tier 1 capital	(420,604)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs)	328,576,424
	Derivative exposures	
4.	Replacement cost	4,834,634
5.	Add-on amount	944,792
6.	Total derivative exposures	5,779,426
	Securities financing transaction exposures	
7.	Gross SFT assets (with no recognition of accounting netting)	4,429,709
8.	Agent transaction exposures	-
9.	Total securities financing transaction exposures	4,429,709
	Other off-balance sheet exposures	
10.	Off-balance sheet exposures with gross nominal amount	131,078,486
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	(46,071,519)
12.	Total off-balance sheet exposures	85,006,967
	Capital and total exposures	
13.	Tier 1 capital	32,143,363
14.	Total exposures	423,792,526
	Leverage ratio	
15.	Leverage ratio	7.59

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	On-balance sheet exposures	Prior Period - December 31, 2017 (*)
1.	On-balance sheet items (excluding derivatives and SFTs; including collateral)	261,224,004
2.	Assets deducted in determining Basel III Tier 1 capital	(386,413)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs)	260,837,591
	Derivative exposures	
4.	Replacement cost	2,314,960
5.	Add-on amount	620,408
6.	Total derivative exposures	2,935,368
	Securities financing transaction exposures	
7.	Gross SFT assets (with no recognition of accounting netting)	657,737
8.	Agent transaction exposures	-
9.	Total securities financing transaction exposures	657,737
	Other off-balance sheet exposures	
10.	Off-balance sheet exposures with gross nominal amount	98,674,402
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	(34,365,170)
12.	Total off-balance sheet exposures	64,309,232
	Capital and total exposures	
13.	Tier 1 capital	22,349,984
14.	Total exposures	328,739,927
	Leverage ratio	
15.	Leverage ratio	6.80

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

VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Current 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

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Prior Period - December 31, 2017	**Carrying Value**	**Fair Value**
Financial Assets:		
Receivables from Interbank Money Markets	1,652,102	1,652,102
Banks	11,887,828	11,887,828
Financial Assets at Fair Value through Other Comprehensive Income	13,549,714	13,549,714
Assets Measured at Amortised Cost	16,766,071	16,466,094
Loans	183,971,615	185,012,645
Financial Liabilities:		
Bank Deposits	9,778,103	9,778,103
Other Deposits	145,499,019	145,316,551
Funds Borrowed	28,307,621	28,269,920
Marketable Securities	19,485,098	19,286,884
Subordinated Loans	5,935,969	5,856,356
Miscellaneous Payables	6,848,328	6,848,328

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.

Classification of Fair Value Measurement

TFRS 7 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basicly 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 inpus for the assets or liabilitity that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period - December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss:	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 affiliates 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:				
Derivative financial liabilities held for trading purpose	-	(2,549,177)	-	(2,549,177)
Total Financial Liabilities	**-**	**(2,549,177)**	**-**	**(2,549,177)**

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

Prior Period - December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	263	1,936,525	-	1,936,788
Debt securities	-	1,936,525	-	1,936,525
Investment funds	263	-	-	263
Financial assets at fair value through other comprehensive income	10,534,324	3,015,375	15	13,549,714
Government debt securities	10,534,324	2,972,020	-	13,506,344
Equity securities	-	43,355	15	43,370
Investments in associates and subsidiaries	871,231	-	1,634,967(*)	2,506,198
Total Financial Assets	**11,405,818**	**4,951,900**	**1,634,982**	**17,992,700**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,184,530)	-	(1,184,530)
Total Financial Liabilities	**-**	**(1,184,530)**	**-**	**(1,184,530)**

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

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

Current Period- December 31, 2018	**Level 3**
Balance at the beginning of the year	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	733,318
Balance at the end of the year	**2,368,300**

Prior Period - December 31, 2017	**Level 3**
Balance at the beginning of the year	1,386,979
Total gains or losses for the year recognized in profit or loss	-
Total gains or losses for the year recognized under equity	248,003
Balance at the end of the year	**1,634,982**

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.

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

Major financial statement items according to business lines:

Current Period	**Retail Banking**	**Corporate Banking**	**Investment Banking**	**Other**	**Total Operations**
OPERATING INCOME/ EXPENSES					
Interest Income	7,140,354	17,240,831	9,568,577	4,055	33,953,817
Interest income from loans	*7,140,354*	*17,240,831*	*2,950,435*	-	*27,331,620*
Interest income from reserve deposits	-	-	*389,604*	-	*389,604*
Interest income from securities portfolio	-	-	*6,032,692*	-	*6,032,692*
Interest income from banks	-	-	*177,189*	-	*177,189*
Interest income from money market transactions	-	-	*18,657*	-	*18,657*
Finance Lease Income	-	-	-	-	-
Other interest income	-	-	-	*4,055*	*4,055*
Interest Expense	8,299,144	6,841,965	7,721,730	250,291	23,113,130
Interest expense on deposits	*8,299,144*	*6,805,001*	*558,146*	-	*15,662,291*
Interest expense on funds borrowed	-	*36,964*	*1,181,599*	-	*1,218,563*
Interest expense on money market transactions	-	-	*3,525,739*	-	*3,525,739*
Interest expense on securities issued	-	-	*2,003,259*	-	*2,003,259*
Other interest expenses	-	-	*452,987*	*250,291*	*703,278*
Net Interest Income	(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
Trading Income/ Losses (Net)	-	-	643,635	-	643,635
Dividend Income	-	-	129,624	-	129,624
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)
Net Profit/ Loss					**4,154,322**
SEGMENT ASSETS					
Securities Portfolio	-	-	49,054,049	-	49,054,049
Derivative Financial Assets Held for Trading Purpose	-	-	4,410,709	-	4,410,709
Banks and Receivables From Money Markets	-	-	5,018,593	-	5,018,593
Investments in Associates and Subsidiaries	-	-	3,051,217	-	3,051,217
Loans and Receivables	51,664,996	122,336,326	47,545,195	-	221,546,517
Other Assets	-	-	36,072,874	12,201,682	48,274,556
TOTAL ASSETS	**51,664,996**	**122,336,326**	**145,152,637**	**12,201,682**	**331,355,641**
SEGMENT LIABILITIES					
Deposits	87,822,090	84,521,273	7,064,544	-	179,407,907
Derivative Financial Liabilities Held for Trading Purpose	-	-	2,549,177	-	2,549,177
Interbank Money Market Takings	-	-	28,723,737	-	28,723,737
Funds Borrowed	-	3,089,366	38,260,470	-	41,349,836
Securities Issued	-	-	22,347,064	-	22,347,064
Other Liabilities	-	-	13,025,077	12,555,430	25,580,507
Provisions and Tax Liabilities	-	-	-	3,047,223	3,047,223
Equity	-	-	-	28,350,190	28,350,190
TOTAL LIABILITIES AND EQUITY	**87,822,090**	**87,610,639**	**111,970,069**	**43,952,843**	**331,355,641**

(*) TL 933,910 amount of TL 2,003,613 shown in other income line consists of rejecting reserves from previous periods, TL 758,836 reversal of impairment TL 191,650 of income from sale of Bank's assets, TL 36,269 from communications income and remaining, TL 1,671 from leasing income, TL 81,277 of other income.
(**) TL 2,191,782 amount of TL 5,873,337 shown in other expenses line consists of personnel expenses, TL 2,208,487 of other operating expenses, TL 184,660 of depreciation expenses, TL 276,496 of dividend reserves expenses to be given to personnel, TL 197,864 of Savings Deposit Insurance Fund (SDIF) expenses, TL 194,440 of taxes and funds expenses, and the remaining TL 619,608 of other expenses.

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Prior Period	**Retail Banking**	**Corporate Banking**	**Investment Banking**	**Other**	**Total Operations**
OPERATING INCOME/ EXPENSES					
Interest Income	5,627,056	10,965,512	4,848,526	3,000	21,444,094
Interest income from loans	*5,627,056*	*10,965,512*	*1,670,270*	-	*18,262,838*
Interest income from reserve deposits	-	-	*221,541*	-	*221,541*
Interest income from securities portfolio	-	-	*2,868,891*	-	*2,868,891*
Interest income from banks	-	-	*52,638*	-	*52,638*
Interest income from money market transactions	-	-	*35,186*	-	*35,186*
Finance Lease Income	-	-	-	-	-
Other interest income	-	-	-	*3,000*	*3,000*
Interest Expense	4,337,115	4,634,234	3,787,824	63,495	12,822,668
Interest expense on deposits	*4,337,115*	*4,619,108*	*248,858*	-	*9,205,081*
Interest expense on funds borrowed	-	*15,126*	*656,766*	-	*671,892*
Interest expense on money market transactions	-	-	*1,523,311*	-	*1,523,311*
Interest expense on securities issued	-	-	*1,020,139*	-	*1,020,139*
Other interest expenses	-	-	*338,750*	*63,495*	*402,245*
Net Interest Income	1,289,941	6,331,278	1,060,702	(60,495)	8,621,426
Net Fees and Commissions Income	497,841	748,403	84,421	-	1,330,665
Trading Income/ Losses (Net)	-	-	164,212	-	164,212
Dividend Income	-	-	93,561	-	93,561
Other Income (*)	-	-	-	1,673,529	1,673,529
Allowance for Expected Credit Losses	483,166	1,773,358	30,802	500,207	2,787,533
Other Expenses (**)	-	-	-	4,420,728	4,420,728
Profit Before Taxes	**1,304,616**	**5,306,323**	**1,372,094**	**(3,307,901)**	**4,675,132**
Provision for taxes	-	-	-	(951,749)	(951,749)
Net Profit/ Loss	**1,304,616**	**5,306,323**	**1,372,094**	**(4,259,650)**	**3,723,383**
SEGMENT ASSETS					
Securities Portfolio	-	-	30,316,048	-	30,316,048
Derivative Financial Assets Held for Trading Purpose	-	-	1,936,525	-	1,936,525
Banks and Receivables From Money Markets	-	-	13,539,930	-	13,539,930
Investments in Associates and Subsidiaries	-	-	2,563,016	-	2,563,016
Loans and Receivables	48,222,428	106,467,197	29,281,990	-	183,971,615
Other Assets	-	-	29,037,351	9,207,225	38,244,576
TOTAL ASSETS	**48,222,428**	**106,467,197**	**106,674,860**	**9,207,225**	**270,571,710**
SEGMENT LIABILITIES					
Deposits	65,323,825	80,175,194	9,778,103	-	155,277,122
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,184,530	-	1,184,530
Interbank Money Market Takings	-	-	22,270,837	-	22,270,837
Funds Borrowed	-	571,707	27,735,914	-	28,307,621
Securities Issued	-	-	19,485,098	-	19,485,098
Other Liabilities	-	-	6,701,893	9,923,176	16,625,069
Provisions and Tax Liabilities	-	-	-	4,163,615	4,163,615
Equity	-	-	-	23,257,818	23,257,818
TOTAL LIABILITIES AND EQUITY	**65,323,825**	**80,746,901**	**87,156,375**	**37,344,609**	**270,571,710**

(*) TL 936,786 amount of TL 1,673,529 shown in other income line consists of rejecting reserves from previous periods, TL 148,977 of income from sale of Bank's assets, TL 43,602 from communications income, TL 1,018 from leasing income and remaining TL 543,146 of other income.

(**) TL 1,768,758 amount of TL 4,420,728 shown in other expenses line consists of personnel expenses, TL 1,844,656 of other operating expenses, TL 161,271 of depreciation expenses, TL 168,500 of dividend reserves expenses to be given to personnel, TL 168,783 of Savings Deposit Insurance Fund (SDIF) expenses, TL 148,817 of taxes and funds expenses, and the remaining TL 159,943 of other expenses.

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 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.

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.

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.

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

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

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

Risk Weighted Amounts

	Current Period- December 31, 2018	Risk Weighted Amount	Minimum Capital Requirements
1	**Credit Risk (excluding counterparty credit risk) (*)**	**216,696,829**	**17,335,746**
2	Standardised approach	216,696,829	17,335,746
3	İnternal rating based approach	-	-
4	**Counterparty Credit Risk**	**5,088,610**	**407,089**
5	Standardised approach for counterparty credit risk	5,088,610	407,089
6	Internal model method	-	-
7	**Equity position in banking book under basic risk weighting or internal rating based**	**-**	**-**
8	**Equity investments in funds - look-through approach**	**1,395**	**112**
9	**Equity investments in funds - mandate-based approach**	**-**	**-**
10	**Equity investments in funds - 1250% weighted risk approach**	**-**	**-**
11	**Settlement Risk**	**-**	**-**
12	**Securitization positions in banking accounts**	**-**	**-**
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	**Market risk**	**996,826**	**79,746**
17	Standardised approach	996,826	79,746
18	Internal model approaches	-	-
19	**Operational Risk**	**16,757,496**	**1,340,600**
20	Basic Indicator Approach	16,757,496	1,340,600
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)**	**239,541,156**	**19,163,292**

(*) Except for the amount of the discount threshold under the equit.

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	Prior Period - December 31, 2017	Risk Weighted Amount	Minimum Capital Requirements
1	**Credit Risk (excluding counterparty credit risk) (*)**	**168,059,840**	**13,444,787**
2	Standardised approach	168,059,840	13,444,787
3	İnternal rating based approach	-	-
4	**Counterparty Credit Risk**	**2,832,891**	**226,631**
5	Standardised approach for counterparty credit risk	2,832,891	226,631
6	Internal model method	-	-
7	**Equity position in banking book under basic risk weighting or internal rating based**	**-**	**-**
8	**Equity investments in funds - look-through approach**	**263**	**21**
9	**Equity investments in funds - mandate-based approach**	**-**	**-**
10	**Equity investments in funds - 1250% weighted risk approach**	**-**	**-**
11	**Settlement Risk**	**-**	**-**
12	**Securitization positions in banking accounts**	**-**	**-**
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	**Market risk**	**652,375**	**52,190**
17	Standardised approach	652,375	52,190
18	Internal model approaches	-	-
19	**Operational Risk**	**14,255,142**	**1,140,412**
20	Basic Indicator Approach	14,255,142	1,140,412
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)**	**185,800,511**	**14,864,041**

(*) Except for the amount of the discount threshold under the equit

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2. Linkages between Financial Statements and Regulatory Exposures

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

	Carrying values of items (according to TAS)					
Current Period - December 31, 2018	**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**	**Not subject to capital requirements or subject to deduction from capital**
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	-	-	-	-	-	-
Allowance for expected credit losses	(34,944)	-	-	-	-	(34,944)
Loans (Net)	221,546,517	221,545,073	-	-	-	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	11,620,896	11,620,896	-	-	-	-
Total assets	**331,355,641**	**326,559,709**	**35,936,810**	**-**	**148,414**	**385,223**
Liabilities						
Deposits	179,407,907	-	-	-	-	179,407,907
Funds borrwed	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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		Carrying values of items (according to TAS)				
Prior Period - December 31, 2017	**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**	**Not subject to capital requirements or subject to deduction from capital**
Assets						
Cash and balances at central bank	28,644,824	28,644,824	-	-	-	-
Financial assets held for trading	1,936,788	-	1,936,788	-	49,126	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	11,887,828	11,887,828	-	-	-	-
Receivables from money markets	1,652,102	1,652,102	-	-	-	-
Available for sale financial assets (net)	13,549,714	13,245,166	1,839,025	-	304,548	-
Loans and receivables	183,971,615	183,970,260	-	-	-	1,355
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	16,766,071	16,766,071	7,767,018	-	-	-
Investments in associates (net)	349,158	349,158	-	-	-	-
Investments in subsidiaries (net)	2,213,858	2,213,858	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,417,263	1,234,286	-	-	-	182,977
Intangible assets (net)	210,970	-	-	-	-	210,970
Investment properties (net)	-	-	-	-	-	-
Tax assets	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,312,493	1,312,493	-	-	-	-
Other assets	6,659,026	6,659,026	-	-	-	-
Total assets	**270,571,710**	**267,935,072**	**11,542,831**	**-**	**353,674**	**395,302**
Liabilities						
Deposits	155,277,122	-	-	-	-	155,277,122
Derivative financial liabilities held for trading	1,184,530	-	1,184,530	-	(49,131)	1,184,530
Loans	28,307,621	-	-	-	-	28,307,621
Debt to money markets	22,270,837	-	8,976,768	-	-	13,294,069
Debt securities in issue	19,485,098	-	-	-	-	-
Funds	3,206	-	-	-	-	3,206
Various debts	6,848,328	-	-	-	-	6,848,328
Other liabilities	3,837,566	-	-	-	-	3,837,566
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	3,412,482	-	-	-	-	3,412,482
Tax liability	751,133	-	-	-	-	751,133
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,935,969	-	-	-	-	5,935,969
Equity	23,257,818	-	-	-	-	23,257,818
Total liabilities	**270,571,710**	**-**	**10,161,298**	**-**	**(49,131)**	**242,109,844**

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

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

	Current Period - December 31, 2018	**Total**	**Items subject to credit risk**	**Items subject to securitisation**	**Items subject to counterparty credit risk**	**Items subject to market risk**
1	Asset carrying value amount under scope of regulatory consolidation	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	-	-	-	-	-
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**

	Prior Period - December 31, 2017	**Total**	**Items subject to credit risk**	**Items subject to securitisation**	**Items subject to counterparty credit risk**	**Items subject to market risk**
1	Asset carrying value amount under scope of regulatory consolidation	270,176,408	267,935,072	-	11,542,831	353,674
2	Liabilities carrying value amount under regulatory scope of consolidation	28,461,866	-	-	10,161,298	(49,131)
3	Total net amount under regulatory scope of consolidation	241,714,542	267,935,072	-	1,381,533	304,543
4	Off-balance sheet amounts	-	-	-	2,744,685	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	568,751	-
10	**Exposure amounts considered for regulatory**	**-**	**267,935,072**	**-**	**3,313,436**	**304,543**

c) Explanations of differences between accounting and regulatory exposure amounts

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

3. Credit Risk Explanations

a) General Information on Credit Risk

If the counterparty does not partially or completely 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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Credit quality of assets

	Current Period- December 31, 2018	Gross carrying values of (according to TAS)			
		Defaulted Exposures	Defaulted Exposures	Allowances / Impairment	Net Values
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**

	Prior Period - December 31, 2017	Gross carrying values of (according to TAS)			
		Defaulted Exposures	Defaulted Exposures	Allowances / Impairment	Net Values
1	Loans	7,638,206	182,942,481	6,609,072	183,971,615
2	Debt Securities	-	30,127,332	123,452	30,003,880
3	Off-balance sheet exposure	169,355	79,708,432	75,942	79,801,845
4	**Total**	**7,807,561**	**292,778,245**	**6,808,466**	**293,777,340**

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

		Current Period - December 31, 2018
1	**Defaulted Loans and debt securities at end of the previous reporting period**	**7,638,206**
2	Loans and debt securities that have defaulted since the last reporting period	6,559,332
3	Returned to non-defaulted status	6,764
4	Amounts written-off	-
5	Other Changes	(3,390,617)
6	**Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)**	**10,800,157**

		Prior Period - December 31, 2017
1	**Defaulted Loans and debt securities at end of the previous reporting period**	**6,413,503**
2	Loans and debt securities that have defaulted since the last reporting period	3,189,506
3	Returned to non-defaulted status	106,595
4	Amounts written-off	-
5	Other Changes	(1,858,208)
6	**Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)**	**7,638,206**

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

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

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.

Breakdown of receivables by geographical regions, sector and remaining maturities

Breakdown of receivables in terms of geographic regions

Current Period- December 31, 2018	**Credit receivables/ (risks)**
Domestic	203,043,490
European Union Countries	-
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	1,924,528
Other	16,638,732
Total	**221,606,750**

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

Prior Period - December 31, 2017	**Credit receivables/(risks)**
Domestic	173,143,176
European Union Countries	-
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	1,801,673
Other	7,987,379
Total	**182,932,228**

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

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Breakdown of loan receivables by sector

Current 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	112,467
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**

Prior Period - December 31, 2017

Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	**1,008,685**	**49,564**	**40,488**
Farming and raising livestock	977,078	45,271	36,982
Forestry	14,342	2,207	2,042
Fishing	17,265	2,086	1,464
Manufacturing	**37,893,692**	**1,418,585**	**1,152,837**
Mining and Quarrying	3,036,391	113,934	110,219
Production	26,282,464	1,298,469	1,036,732
Electricity, Gas, Water	8,574,837	6,182	5,886
Construction	**23,424,262**	**791,869**	**702,786**
Services	**65,008,629**	**2,913,617**	**2,525,464**
Wholesale and Retail Trade	28,096,489	2,049,107	1,804,680
Accommodation and Dining	5,786,152	103,954	90,251
Transportation and Telecommunication	13,816,900	391,091	332,833
Financial Institutions	3,750,023	15,550	14,680
Real Estate and Rental Services	9,329,897	61,752	53,351
Professional Services	2,746,513	183,449	150,312
Educational Services	856,735	18,070	17,454
Health and Social Services	625,920	90,644	61,903
Other	**55,596,960**	**2,464,571**	**2,177,244**
Total	**182,932,228**	**7,638,206**	**6,598,819**

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Breakdown by outstanding maturity

Current 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

Prior Period - December 31, 2017

Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Total
15,014,654	5,187,532	32,686,698	84,252,856	45,790,488	182,932,228

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, 2018

Geographical area	Loans Receivanles(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.

Prior Period - December 31, 2017

Geographical area	Loans Receivanles(Risks)	Provisions
Domestic	7,605,376	6,591,479
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,130	6,643
Other	700	697
Total	**7,638,206**	**6,598,819**

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

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Aging analysis for overdue receivables

	Current Period - December 31, 2018
31-60 days overdue	2,280,775
61-90 days overdue	1,774,842

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

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

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

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

Payment Plan Extensions	Current Period – December 31, 2018
Standard Loans	1,266,637
Loans Under Close Monitoring	6,916,542
Non-performing Loans	273,455

Payment Plan Extensions	Prior Period – December 31, 2017
Standard Loans	2,664,938
Loans Under Close Monitoring	1,558,186
Non-performing Loans	335,136

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.

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Credit risk mitigation techniques

	Current Period Sonu - December 31, 2018	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	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	-	-	-	-	-	-

	Prior Period - December 31, 2017	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	105,589,475	78,382,140	66,629,280	3,652,598	3,128,437	-	-
2	Debt Securities	30,003,880	-	-	-	-	-	-
3	**Total**	**135,593,355**	**78,382,140**	**66,629,280**	**3,652,598**	**3,128,437**	**-**	**-**
4	Of which Defaulted	7,638,206	-	-	-	-	-	-

d) Credit risk under standardized approach

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

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

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

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

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

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Credit risk exposure and credit risk mitigation effects

	Current Period - December 31, 2018	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	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	-	-	-	-	-	0.00%
5	Exposures to international organizations	-	-	-	-	-	0.00%
6	Exposures to institutions	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	-	-	-	-	-	0.00%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	1,395	-	1,395	-	1,395	100.00%
16	Other assets	11,254,435	-	11,254,435	-	8,293,788	73.69%
17	Investment 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%**

	Prior Period - December 31, 2017	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	Risk sınıfları	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	82,907,438	1,395,677	85,877,681	802,646	5,046,770	5.82%
2	Exposures to regional governments or local authorities	6,667,600	518,181	6,667,600	241,940	3,416,740	49.45%
3	Exposures to public sector entities	301,190	311,734	301,190	137,108	424,900	96.94%
4	Exposures to multilateral development banks	-	1,583	-	1,583	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions and banks	6,234,863	2,067,023	6,234,862	1,302,306	3,338,108	44.29%
7	Exposures to corporates	66,095,260	65,127,912	63,125,018	23,100,224	84,870,828	98.43%
8	Retail exposures	46,810,704	24,689,970	46,810,704	3,212,915	37,286,782	74.54%
9	Exposures secured by residential property	22,850,866	931,214	22,850,866	420,940	8,145,132	35.00%
10	Exposures secured by commercial real estate	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	61.51%
11	Past-due loans	1,039,387	-	1,039,387	0	1,039,387	100.00%
12	Higher-risk categories by the Agency Board	212,032	15,305	212,032	8,635	331,000	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	263	-	263	-	263	100.00%
16	Other receivables	8,395,667	-	8,395,667	-	6,103,990	72.70%
17	Investments in equities	2,606,386	-	2,606,386	-	2,606,385	100.00%
18	**Total**	**267,938,269**	**97,337,764**	**267,938,269**	**30,529,888**	**168,060,103**	**56.31%**

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Exposures by asset classes and risk weights

Current 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 assesments	-	-	-	-	-	-	-	-	-	-	-	-
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**

Prior Period - December 31, 2017	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	76,586,734	-	90	-	10,093,503	-	-	-	-	-	-	86,680,327
2	Exposures to regional governments or local authorities	9,934	-	110,209	-	6,789,397	-	-	-	-	-	-	6,909,540
3	Exposures to public sector entities	3,704	-	12,118	-	-	-	422,476	-	-	-	-	438,298
4	Exposures to multilateral development banks	1,583	-	-	-	-	-	-	-	-	-	-	1,583
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	738	-	1,901,162	-	5,354,785	-	280,483	-	-	-	-	7,537,168
7	Exposures to corporates	368,031	-	225,296	-	1,612,292	-	84,019,623	-	-	-	-	86,225,242
8	Retail exposures	238,496	-	94,654	-	-	49,690,469	-	-	-	-	-	50,023,619
9	Exposures secured by residential property	-	-	-	23,271,806	-	-	-	-	-	-	-	23,271,806
10	Exposures secured by commercial real estate	-	-	-	-	19,336,772	-	5,781,432	-	-	-	-	25,118,204
11	Past-due loans	-	-	-	-	-	-	1,039,387	-	-	-	-	1,039,387
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	220,667	-	-	-	220,667
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assesments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	263	-	-	-	-	263
16	Other assets	-	-	-	-	-	-	2,606,386	-	-	-	-	2,606,386
17	Investments in equities	1,987,490	-	380,234	-	-	-	6,027,943	-	-	-	-	8,395,667
18	**Total**	**79,196,710**	**-**	**2,723,763**	**23,271,806**	**43,186,749**	**49,690,469**	**100,177,993**	**220,667**	**-**	**-**	**-**	**298,468,157**

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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Counterparty credit risk (CCR) approach analysis

	Current Period - December 31, 2018	Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk -weighted amounts
1	Fair value method - KKR (for derivatives)	4,362,775	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					-	-
7	**Total**						**3,205,782**

	Prior Period - December 31, 2017	Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	2,150,962	593,723			2,744,685	1,535,780
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)			-	-	568,751	141,930
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)					-	-
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**						**1,677,710**

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Capital requirement for credit valuation adjustment (CVA)

	Current Period - December 31, 2018	EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	**-**	**-**
1	(i) VaR component (including the 3xmultiplier)		-
2	(ii) Stressed VaR component (including the 3xmultiplier)		-
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

	Prior Period - December 31, 2017	EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	**-**	**-**
1	(i) VaR component (including the 3xmultiplier)		-
2	(ii) Stressed VaR component (including the 3xmultiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	2,744,685	1,154,771
4	Total subject to the CVA capital obligation	2,744,685	1,154,771

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Standardized approach CCR exposures by risk class and risk weights

Risk Classes / Risk Weights	0%	10%	20%	35%	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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Risk Classes / Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	Diğer	Total Credit Exposures(*)
Claims from central governments and central banks	6,594,545	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,514	-	36	-	-	-	-	-	-	7
Claims from administration and non commercial entity	473	-	-	-	-	-	11	-	-	11
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,438,621	-	1,404,273	-	3,662,933	-	469,757	-	-	2,582,079
Corporates	1,173	-	-	-	-	-	248,647	-	-	248,647
Retail portfolios	966	-	-	-	-	2,862	-	-	-	2,147
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	**9,037,292**	**-**	**1,404,309**	**-**	**3,662,933**	**2,862**	**718,415**	**-**	**-**	**2,832,891**

(*) 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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Collaterals for counterparty credit risk

	Collateral for derivative transactions				Collateral for other transactions	
Current Period - December 31, 2018	Fair value of collateral received		Fair value of collateral given			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of collateral given
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**	**-**

	Collateral for derivative transactions				Collateral for other transactions	
Prior Priod - December 31, 2017	Fair value of collateral received		Fair value of collateral given			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of collateral given
Cash-domestic currency	-	-	-	-	7,193,065	-
Cash-foreign currency	-	-	-	-	2,412,978	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**9,606,043**	**-**

Loan Derivatives

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

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

Central counterparty risks

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

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

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.

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Market Risk- Standardized approach

	Current Period - December 31, 2018	RWA
	Outright products	
1	Interest rate risk (general and specific)	771,963
2	Stock risk (general and specific)	-
3	Foreign exchange risk	221,324
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	3,539
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**996,826**

	Prior Period - December 31, 2017	RWA
	Outright products	
1	Interest rate risk (general and specific)	233,425
2	Stock risk (general and specific)	-
3	Foreign exchange risk	385,122
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	33,828
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**652,375**

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.

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Current 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

Prior Period - December 31, 2017	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,260,273	7,331,177	9,216,778	7,602,743	15	1,140,411
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	14,255,142

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, 2017	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)	-	**2217861**	**5.45%**
	Total (for positive shocks)	-	**(3,132,589)**	**(7.70%)**

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

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SECTION FIVE
DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS

1. Cash and balances with Central Bank

Current Period - December 31, 2018	TP	FC
Cash	1,455,914	883,834
Central Bank of the Republic of Turkey (*)	3,393,478	25,750,911
Other	386,165	384,187
Total	**5,235,557**	**27,018,932**

Prior Period - December 31, 2017	TP	FC
Cash	1,395,342	584,189
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997
Other	350,876	37,317
Total	**4,021,321**	**24,623,503**

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

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

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

Balances with the Central Bank of Republic of Turkey

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

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

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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.

Trading securities subject to repurchase agreements

None.

Positive differences on derivative financial assets

Current Period - December 31, 2018	**TP**	**FC**
Forward transactions	77,316	7,772
Swap transactions	3,953,573	367,828
Futures	-	-
Options	192	4,028
Other	-	-
Total	**4,031,081**	**379,628**

Positive differences on derivative financial assets held for trading purpose

Prior Period - December 31, 2017	**TP**	**FC**
Forward transactions	20,577	5,359
Swap transactions	1,780,915	128,744
Futures	-	-
Options	433	497
Other	-	-
Total	**1,801,925**	**134,600**

3. Information on banks

Current Period - December 31, 2018	**TP**	**FC**
Banks		
Domestic	4,544	1,304,806
Foreign	-	3,709,243
Foreign Head Offices and Branches	-	-
Total	**4,544**	**5,014,049**

Prior Period - December 31, 2017	**TP**	**FC**
Banks		
Domestic	308,552	1,750,257
Foreign	-	9,829,019
Foreign Head Offices and Branches	-	-
Total	**308,552**	**11,579,276**

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Due from foreign banks

Current Period - December 31, 2018	Unrestricted Balance	Restricted Balances(**)
EU Countries	616,762	-
USA, Canada	2,104,082	584,868
OECD Countries (*)	35,875	-
Off-shore Banking Regions	231	-
Others	367,425	-
Total	**3,124,375**	**584,868**

Prior Period - December 31, 2017	Unrestricted Balance	Restricted Balances(**)
EU Countries	557,780	-
USA, Canada	8,561,544	339,989
OECD Countries (*)	91,584	-
Off-shore Banking Regions	145	-
Others	277,977	-
Total	**9,489,030**	**339,989**

(*) OECD countries except from EU countries, USA, Canada.
(**) Restricted balances that occur from securization loans and other common banking activities.

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

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

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

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

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

Available-for-sale financial assets subject to repurchase agreements

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

Information on financial assets at fair value through other comprehensive income

	Current Period - December 31, 2018
Debt securities	**9,131,718**
Quoted on a Stock Exchange	9,131,718
Unquoted	-
Equity securities	**3,451**
Quoted on a Stock Exchange	-
Unquoted	3,451
Provisions for impairment losses (-)	**132,791**
Total	**9,002,378**

Information on available-for-sale financial assets

	Prior Period - December 31, 2017
Debt securities	**13,626,089**
Quoted on a Stock Exchange	13,626,089
Unquoted	-
Equity securities	**43,370**
Quoted on a Stock Exchange	-
Unquoted	43,370
Provisions for impairment losses (-)	**119,745**
Total	**13,549,714**

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5. Information on loans

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

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

Prior Period - December 31, 2017	Cash	Non-Cash
Direct loans provided to the shareholders	**-**	**38,243**
Legal entities	-	38,243
Real persons	-	-
Indirect loans provided to the shareholders	**-**	**-**
Loans provided to the employees	**140,344**	**-**
Total	**140,344**	**38,243**

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

Current Period - December 31, 2018

		Loans and other receivables under close monitoring		
			Agreement conditions modified	
Cash Loans	Standard loans	Loans not Subject to Restructuring	Loans with Revised Contract Terms	Refinance
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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All creditors, including the Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi A.Ş., a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by Levent Yapılandırma Yönetimi on December 21, 2018. The Bank participated in Levent Yapılandırma Yönetimi A.Ş. with a 4.2559% share. Within the scope of Türk Telekom shares being taken over by Levent Yapılandırma A.Ş. and within the framework of the relevant contracts, the Bank has given a loan to Levent Yapılandırma Yönetimi A.Ş., to take over the shares that are warranty to OTAŞ loans, in the value of TL 788,795 thousand and its provision amount is TL 4,242.

Prior Period - December 31, 2017

	Standard loans and other receivables			Loans and other receivables under close monitoring		
Cash Loans	**Loans and other receivables**	**Agreement conditions modified**		**Loans and other receivables**	**Agreement conditions modified**	
		Payment plan extensions	**Other**		**Payment plan extensions**	**Other**
Non-specialized loans	**173,317,808**	**2,664,938**	**-**	**5,391,296**	**1,558,186**	**-**
Loans given to enterprises	60,356,661	1,837,235	-	2,406,619	1,228,858	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	1,200,646	-	-	4,480	-	-
Consumer loans	40,447,739	365,935	-	1,505,359	274,680	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
Specialized lending	**-**	**-**	**-**	**-**	**-**	**-**
Other receivables	**-**	**-**	**-**	**-**	**-**	**-**
Total	**173,317,808**	**2,664,938**	**-**	**5,391,296**	**1,558,186**	**-**

Current 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

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

Current Period - December 31, 2018

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

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

Prior period - December 31, 2017

Number of modifications to extend payment plans	Standard Loans (*)	Loans under close monitoring (*)
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

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

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

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Maturity analysis of cash loans

		Loans under close monitoring	
Current Period - December 31, 2018	**Standard Loans**	**Loans not Subject to Restructuring Loans**	**Restructured**
Short-term Loans	51,092,583	3,312,603	828,119
Medium, Long-term Loans	150,660,645	9,624,377	6,088,423

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
Prior Period - December 31, 2017	**Loans and Other Receivables**	**Restructured or Rescheduled Loans and Other Receivables**	**Loans and Other Receivables**	**Restructured or Rescheduled Loans and Other Receivables**
Short-term Loans and Other Receivables	**39,955,844**	**30,278**	**2,035,874**	**62,739**
Loans	39,955,844	30,278	2,035,874	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	**133,361,964**	**2,634,660**	**3,355,422**	**1,495,447**
Loans	133,361,964	2,634,660	3,355,422	1,495,447
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-

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

Current Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Consumer loans - TL	**657,529**	**40,105,229**	**40,762,758**
Housing loans	8,745	19,349,641	19,358,386
Automobile loans	2,964	320,676	323,640
General purpose loans	645,820	20,434,912	21,080,732
Other	-	-	-
Consumer loans - FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans - FC	**-**	**-**	**-**
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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Consumer loans, retail credit cards, personnel loans and personnel credit cards

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
Consumer loans - TL	**573,114**	**39,344,936**	**39,918,050**
Housing loans	16,254	18,950,268	18,966,522
Automobile loans	6,463	423,169	429,632
General purpose loans	550,397	19,971,499	20,521,896
Other	-	-	-
Consumer loans - FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans - FC	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Retail credit cards - TL	**5,174,880**	**93,414**	**5,268,294**
With instalment	2,271,719	82,305	2,354,024
Without instalment	2,903,161	11,109	2,914,270
Retail credit cards - FC	**12,071**	**-**	**12,071**
With instalment	-	-	-
Without instalment	12,071	-	12,071
Personnel loans - TL	**4,477**	**57,389**	**61,866**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,477	57,389	61,866
Other	-	-	-
Personnel loans - FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans - FC	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards - TL	**77,776**	**454**	**78,230**
With instalment	30,276	411	30,687
Without instalment	47,500	43	47,543
Personnel credit cards - FC	**248**	**-**	**248**
With instalment	-	-	-
Without instalment	248	-	248
Overdraft Checking Accounts - TL (Real person)	2,613,639	-	2,613,639
Overdraft Checking Accounts - FC (Real person)	158	-	158
Total	**8,456,363**	**39,496,193**	**47,952,556**

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Installment based commercial loans and corporate credit cards

Current Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans - TL	**1,406,196**	**43,970,768**	**45,376,964**
Real estate loans	6,738	988,053	994,791
Automobile loans	99,511	1,636,908	1,736,419
General purpose loans	1,299,947	41,345,807	42,645,754
Other	-	-	-
Instalment-based commercial loans - FC indexed	**18,357**	**1,479,331**	**1,497,688**
Real estate loans	-	-	-
Automobile loans	-	173,079	173,079
General purpose loans	18,357	1,306,252	1,324,609
Other	-	-	-
Instalment-based commercial loans - FC	**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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Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans - TL	**1,169,354**	**43,812,223**	**44,981,577**
Real estate loans	1,154	1,049,786	1,050,940
Automobile loans	88,063	1,940,882	2,028,945
General purpose loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
Instalment-based commercial loans - FC indexed	**3,987**	**1,633,951**	**1,637,938**
Real estate loans	-	-	-
Automobile loans	-	177,864	177,864
General purpose loans	3,987	1,456,087	1,460,074
Other	-	-	-
Instalment-based commercial loans - FC	**297**	**8,696,118**	**8,696,415**
Real estate loans	**-**	**-**	**-**
Automobile loans	-	-	-
General purpose loans	297	8,696,118	8,696,415
Other	-	-	-
Corporate credit cards - TL	**1,761,150**	**1,708**	**1,762,858**
With instalment	451,980	1,708	453,688
Without instalment	1,309,170	-	1,309,170
Corporate credit cards - FC	**1,154**	**-**	**1,154**
With instalment	-	-	-
Without instalment	1,154	-	1,154
Overdraft Checking Accounts - TL (Corporate)	**1,844,329**	**-**	**1,844,329**
Overdraft Checking Accounts - FC (Corporate)	**-**	**-**	**-**
Total	**4,780,271**	**54,144,000**	**58,924,271**

Allocation of loan customers

	Current Period - December 31, 2018
Public Sector	5,463,209
Private Sector	216,143,541
Total	**221,606,750**

	Prior Period - December 31, 2017
Public Sector	3,032,772
Private Sector	179,899,456
Total	**182,932,228**

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Allocation of domestic and overseas loans

	Current Period- December 31, 2018
Domestic loans	221,092,951
Foreign loans	513,799
Total	**221,606,750**

	Prior Period - December 31, 2017
Domestic loans	182,540,709
Foreign loans	391,519
Total	**182,932,228**

Loans to associates and subsidiaries

	Current Period - December 31, 2018
Direct loans to associates and subsidiaries	519,633
Indirect loans to associates and subsidiaries	-
Total	**519,633**

	Prior Period - December 31, 2017
Direct loans to associates and subsidiaries	144,551
Indirect loans to associates and subsidiaries	-
Total	**144,551**

Specific provisions accounted for loans (Stage 3)

	Current Period - December 31, 2018
Loans and receivables with limited collectability	704,225
Loans and receivables with doubtful collectability	1,117,046
Uncollectible loans and receivables	6,198,678
Total	**8,019,949**

Specific provisions for loans

	Prior Period - December 31, 2017
Loans and receivables with limited collectability	150,730
Loans and receivables with doubtful collectability	419,518
Uncollectible loans and receivables	6,028,571
Total	**6,598,819**

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Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured

	Group III	Group IV	Group V
Current period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Gross Amounts Before The Reserves	**96,659**	**196,424**	**228,364**
Loans Which Are Restructured	96,659	196,424	228,364

	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Gross amounts before the specific reserves	**80,662**	**118,684**	**135,790**
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790

Movements in non-performing loan groups

	Group III	Group IV	Group V
Current Period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
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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	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Balance at the beginning of the period	**927,110**	**1,102,016**	**4,384,377**
Additions (+)	2,836,423	137,362	215,721
Transfers from other categories of loans under follow-up (+)	-	2,510,046	2,225,124
Transfers to other categories of loans under follow-up (-) (*)	2,674,478	2,552,971	119,519
Collections (-)	335,405	340,468	677,132
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Balance at the end of the period	**753,650**	**855,985**	**6,028,571**
Specific provisions (-) (**)	150,730	419,518	6,028,571
Net balance on balance sheet	**602,920**	**436,467**	**-**

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

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
Current Period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
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**

	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Balance at the end of the period	42,517	6,850	366,534
Specific provision (-)	8,503	3,425	366,534
Net balance on balance sheet	**34,014**	**3,425**	**-**

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

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

	Group III	Group IV	Group V
Current Period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Current Period (Net)	**913,738**	**950,160**	**916,310**
Consumer and Commercial Loans (Gross)	1,617,885	2,067,179	7,081,061
Specific Provision (-)	704,179	1,117,031	6,164,958
Consumer and Commercial Loans (Net)	**913,706**	**950,148**	**916,103**
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	**-**	**-**	**-**
Other Loans and Receivables (Gross)	78	27	32,376
Specific Provision (-)	46	15	32,169
Other Loans and Receivables (Net)	**32**	**12**	**207**

	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Current Period (Net)	**602,920**	**436,467**	**-**
Consumer and Commercial Loans (Gross)	753,526	854,437	5,930,619
Specific Provision (-)	150,705	418,744	5,930,619
Consumer and Commercial Loans (Net)	**602,821**	**435,693**	**-**
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	**-**	**-**	**-**
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	**99**	**774**	**-**

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

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

	Group III	Group IV	Group V
Prior Period (Net) [*] - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

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

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

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

Held-to-maturity debt securities issued by the governments

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

Information on financial assets measured at amortized cost

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

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Information on held-to-maturity investment securities

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

The movement table of the financial assets measured at amortized cost

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

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

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

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

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Information on accounts related to financial assets measured at amortized cost

	Cost		Carrying Value	
Current Period - December 31, 2018	**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.

Information on held-to-maturity investments

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

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

7. Information on investments in affiliates

Information on investments in affiliates

	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 Enternasyonel 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	1.54	1.54
10	Tasfiye Halinde World Vakıf UBB Ltd. (**)	Lefkoşa/KKTC	82.00	85.32

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	1,418,466	103,988	7,616	80,886	3,522	19,074	5,231	-
2	38,269,440	4,184,076	981,231	2,347,619	764,692	670,756	611,177	2,222,532
3	6,018,300	947,769	1,101,137	23,501	-	(238,103)	173,897	3,845,000
4	117,093	64,965	56,060	3,632	-	15,953	9,004	-
5	310,511	204,375	181,219	10,965	-	34,818	36,919	-
6	144,678	(76,480)	88,089	1	-	(30,795)	(6,986)	-
7	119,784	(119,747)	81,200	-	-	(90,651)	(6,131)	-
8	12,510,449	1,589,589	119,881	449,797	-	323,776	201,251	-
9	572,815	559,224	19,471	33,888	-	101,243	127,873	-
10	1,129	(151,980)	-	38	-	(7,479)	(5,834)	-

(*) The financial statement informations provided for these affiliates are taken from the BRSA financial statements dated September 30, 2018.
(**) The fair values of these affiliates are taken from the financial statements presented in the current period. Other informations are taken from the financial statements dated June 30, 2018.

Movement table of investments in affiliates

	Current Period - December 31, 2018
Balance at the beginning of the period	**349,158**
Movements during the period	**270,424**
Transfers	-
Acquisitions	750
Bonus shares received	35,061
Share of current year profit	-
Sales/liquidations	-
Fair value changes	284,168
Impairment losses	(49,555)
Balance at the end of the period	**619,582**
Capital commitments	**-**
Share percentage at the end of period (%)	**-**

	Prior Period - December 31, 2017
Balance at the beginning of the period	**299,478**
Movements during the period	**49,680**
Transfers	-
Acquisitions	-
Bonus shares received	29,498
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,182
Impairment losses	-
Balance at the end of the period	**349,158**
Capital commitments	**-**
Share percentage at the end of period (%)	**-**

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

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

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

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

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Bank amounting to TL 177 is presented in the movement table of investments in affiliates as bonus shares received. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in affiliates as bonus shares received.

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

Sectoral distribution of investments in financial affiliates

	Current Period - December 31, 2018
Banks	226,768
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial affiliates	4,897
Total	**231,665**

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

	Prior Period - December 31, 2017
Banks	332,861
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial affiliates	4,897
Total	**337,758**

Quoted affiliates

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

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	292,340
Quoted at international stock exchanges	-
Total	**292,340**

Investments in affiliates disposed during the period

There is no affiliate disposed in the current period.

Investments in affiliates acquired during the period

In the current period, the Bank have participated establishment of Türkiye Ürün 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 affiliates.

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

8. Investments in subsidiaries

Information on financial subsidiaries

Current Period - December 31, 2018	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf F aktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	140,000	35,000	70,000	270,000	26,500	225,000	20,000
Share Premium	-	1,447	137	-	6,112	10,615	268,330	93
Equity share premiums	-	-	-	-	655	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	20,121	89,411	403	615,183	60,839	506	(30)
Other accumulated comprehensive income that will be reclassified in profit or loss	(23,671)	-	-	-	-	-	-	-
Profit Reserves	699,674	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	687,820	-	2,308	-	-	-	-	-
Profit/Loss	187,989	(54,108)	31,361	41,667	(297,418)	163,447	28,441	(3,220)
Prior Period's Profit/Loss	161,570	(40,798)	1,866	(13,840)	(331,919)	45,301	(2,018)	(3,008)
Current Period's Profit/Loss	26,419	(13,310)	29,495	55,507	34,501	118,146	30,459	(212)
Minority Rights	-	40	-	-	-	-	-	-
Total Core Capital	**978,475**	**150,110**	**174,186**	**186,712**	**630,302**	**439,459**	**635,914**	**17,238**
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-
CAPITAL	**978,475**	**150,110**	**174,186**	**186,712**	**630,302**	**439,459**	**635,914**	**17,238**
NET AVAILABLE EQUITY	**978,475**	**150,110**	**174,186**	**186,712**	**630,302**	**439,459**	**635,914**	**17,238**

September 30, 2018 BRSA financial statements are taken into consideration.

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

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

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 31 December 2018, 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	Güneş Sigorta AŞ (*)	İstanbul/Turkey	48.02	48.02
2	Vakıf Emeklilik ve Hayat AŞ (*)	İstanbul/Turkey	53.90	79.68
3	Vakıf Faktoring AŞ (*)	İstanbul/Turkey	78.39	87.49
4	Vakıf Finansal Kiralama AŞ (*)	İstanbul/Turkey	58.71	66.23
5	Vakıf Yatırım Menkul Değerler AŞ (*)	İstanbul/Turkey	99.25	99.54
6	Vakıfbank International AG (*)	Vienna/Austuria	90.00	90.00
7	Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ (*)	İstanbul/Turkey	18.47	30.12
8	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (*)	İstanbul/Turkey	38.70	39.54
9	Vakıf Enerji ve Madencilik AŞ (**)	Ankara/Turkey	65.50	82.60
10	Taksim Otelcilik AŞ (*)	İstanbul/Turkey	51.00	51.69
11	Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/Turkey	86.97	93.82
12	Vakıf Gayrimenkul Değerleme AŞ (*)	Ankara/Turkey	94.29	96.56

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,231,197	701,938	703,362	94,517	-	35,734	15,030	403,615
2	8,500,254	422,619	164,016	57,238	-	116,707	73,260	1,437,910
3	2,687,090	198,104	906	331,376	-	53,058	18,023	217,106
4	3,470,005	241,424	21,348	142,662	-	36,493	22,421	247,809
5	542,084	174,104	2,949	30,779	322	29,413	14,350	264,575
6	6,562,553	1,015,543	2,652	111,895	-	40,942	16,637	448,398
7	18,305	17,236	13	541	838	(212)	(171)	30,275
8	1,422,299	968,767	863,832	2,017	-	28,488	8,495	448,229
9	27,804	12,972	1,040	1,236	-	1,316	6,020	22,459
10	395,482	377,985	213,177	13,001	-	23,214	5,653	431,760
11	80,275	57,604	13,816	4,620	-	2,811	3,882	49,463
12	33,619	26,051	842	3,552	-	(59)	(178)	25,428

(*) The financial statement information provided for these subsidiaries is taken from the financial statements as of September 30, 2018.
(**) The financial statement information provided for these subsidiaries is taken from the financial statements as of December 31, 2017.

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Movement table of investments in subsidiaries

	Current Period - December 31, 2018
Balance at the beginning of the period	**2,213,858**
Movements during the period	**217,777**
Transfers (*)	(52,500)
Acquisitions	19,693
Bonus shares received	33,104
Share of current year profit	(49,610)
Sales and liquidations	(885)
Fair value changes	282,211
Impairment losses	(14,236)
Balance at the end of the period	**2,431,635**
Capital commitments	**-**
Share percentage at the end of the period (%)	**-**

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

	Prior Period - December 31, 2017
Balance at the beginning of the period	**1,797,124**
Movements during the period	**416,734**
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(17,527)
Sales and liquidations	(232)
Fair value changes	371,260
Impairment losses	11,259
Balance at the end of the period	**2,213,858**
Capital commitments	**-**
Share percentage at the end of the period (%)	**-**

Methods to measure investments in subsidiaries

	Current Period - December 31, 2018
Measured at cost	-
Measured at fair value	2,431,635
Equity method of accounting	-
Total	**2,431,635**

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

	Prior Period - December 31, 2017
Measured at cost	-
Measured at fair value	2,213,858
Equity method of accounting	-
Total	**2,213,858**

Sectoral distribution of investments in financial subsidiaries

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

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

Quoted subsidiaries

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

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

Investments in subsidiaries disposed during the period

There is no disposal in subsidiaries in the current period.

Investments in subsidiaries acquired during the period

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

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

In the current period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Yatırım Menkul Değerler AŞ, purchased all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Yatırım Menkul Değerler AŞ worth TL 87 for TL 433 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the 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%.

In the current period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Pazarlama Sanayi ve Ticaret AŞ, purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,811 for TL 4,598 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,524 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 current period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Gayrimenkul Değerleme AŞ purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Gayrimenkul Değerleme AŞ worth TL 1,200 for TL 2,256 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Gayrimenkul Değerleme AŞ worth TL 4,400 for TL 8,275 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 13,200 from TL 7,600 and share amount increased to 94.29% from 54.29%.

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

In the current period, at the Ordinary General Assembly Meeting held on May 15, 2018, Vakıf Finansal Kiralama AŞ, an affiliate of 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 current 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, denomination of Vakıf Emeklilik AŞ has changed to "Vakıf Emeklilik ve Hayat AŞ" on July 26, 2017, respective alteration is registered officially in trade registry.

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

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

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

In the prior period, subsequent to approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama A.Ş. from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary Meeting of General Assembly of the company dated June 14, 2017. TL 12,917 corresponding to our Bank's shareholding is presented in the Bonus Shares in the movement table for the subsidiaries.

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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12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	919,896	-	23,071	1,507,590	2,450,557
Accumulated depreciation(-)	11,994	-	16,734	998,335	1,027,063
Impairment(-)	6,231	-	-	-	6,231
Net book value	**901,671**	**-**	**6,337**	**509,255**	**1,417,263**
Balance at the end of the current year:					
Net book value at the beginning of the current year	901,671	-	6,337	509,255	1,417,263
Additions	475,618	-	39,248	301,789	816,655
Transfered cost	624,419	-	-	-	624,419
Transfered amortisation	27,892	-	-	-	27,892
Cost of the disposals	2,918	-	2,511	99,312	104,741
Classification Among the Tangible Fixed Assets	-	-	-	-	-
Depreciation of the disposals (-)	53	-	2,332	14,189	16,574
Depreciation of the current year	5,952	-	6,340	142,991	155,283
Classification Among the Depreciation of the Tangible Fixed Assets	-	-	-	-	-
Impairment (-)	12,579	-	-	13,100	25,679
Exchange differences related to foreign associates	-	-	149	6,160	6,309
Cost at the end of the current year	2,017,015	-	59,957	1,716,227	3,793,199
Accumulated depreciation at the end of the year (-)	45,785	-	20,742	1,127,137	1,193,664
Impairment (-)	18,810	-	-	13,100	31,910
Net book value at the end of the current year	**1,952,420**	**-**	**39,215**	**575,990**	**2,567,625**

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 lifes. 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.

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

14. Information on investment properties

None.

15. Information on deferred tax assets

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

	Current Period - December 31, 2018
Deferred tax assets	**799,687**
Provision for employee termination benefits and unused vacations	114,570
Other provisions	16,834
Valuation differences of associates and subsidiaries	23,456
Provision (General Provision)	600,696
Valuation differences of financial assets and liabilities	42,008
Other differences	2,123
Deferred tax liabilities	**769,911**
Valuation differences of financial assets and liabilities	601,576
Valuation difference for associates and subsidiaries	79,982
Valuation differences of properties	72,866
BRSA - Tax Code depreciation differences	15,487
Deferred tax assets, (net)	**29,776**

	Prior Period - December 31, 2017
Deferred tax assets	**218,616**
Provision for employee termination benefits and unused vacations	98,052
Other provisions	14,994
Valuation differences of associates and subsidiaries	23,456
Provision (General Provision)	80,160
Valuation differences of financial assets and liabilities	-
Other differences	1,954
Deferred tax liabilities	**(332,351)**
Valuation differences of financial assets and liabilities	(240,275)
Valuation difference for associates and subsidiaries	(56,408)
Valuation differences of properties	(28,433)
BRSA - Tax Code depreciation differences	(7,235)
Deferred tax assets, (net)	**(113,735)**

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The deferred tax asset / liability movement table as of December 31, 2018 and December 31, 2017 is as follows:

	Current Period - December 31, 2018
As of 1 January	**(113,735)**
Adjustment according to TAS as of January, 1	(40,408)
Deferred tax income/(loss)	(254,464)
Deferred tax that is accounted under Equity	(40,644)
Deferred tax that is accounted under general provision	479,084
Other	(57)
Deferred tax asset/(Liability)	**29,776**

	Prior Period - December 31, 2017
As of 1 January	**83,109**
Deferred tax income/(loss)	(159,072)
Deferred tax that is accounted under Equity	(36,316)
Other	(1,456)
Deferred tax asset/(Liability)	**(113,735)**

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

	Current Period - December 31, 2018
Financial assets at fair value through other comprehensive income	(13,466)
Associates and subsidiaries	(20,723)
Tangible assets	(44,432)
Assets held for sale	(5,078)
Actuarial gains and losses	2,647
The effect of changes in accounting policies	40,408
Total	**(40,644)**

	Prior Period - December 31, 2017
Securities available for sale	(14,566)
Associates and subsidiaries	(15,934)
Tangible assets	328
Actuarial gains and losses	(6,144)
Total	**(36,316)**

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

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

As of December 31, 2018, the cost of property and equipment held for sale purpose and related to discontinued operations is TL 1,581,179 (31 December 2017: TL 1,340,885) and the provision for impairment is TL 15,117 (31 December 2017: TL 28,392).

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. The said classification is amounted to TL 52,500.

17. Information on other assets

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

	Current Period - December 31, 2018
Receivables from credit card payments	1,443,032
Prepaid expenses	1,045,486
Guarantees given for repurchase agreements	32,741
Receivables from term sale of assets	72,096
Guarantees given for repurchase agreements	6,891,330
Other	2,136,211
Total	**11,620,896**

	Prior Period - December 31, 2017
Receivables from credit card payments	1,173,158
Prepaid expenses	934,474
Guarantees given for repurchase agreements	151
Receivables from term sale of assets	11,116
Guarantees given for repurchase agreements	2,749,121
Other	1,791,006
Total	**6,659,026**

18. Information on expected loss provisions for financial assets

	Current Period - December 31, 2018
Balances with the Central Bank	328
Banks	6,232
Securities portfolio	4,447
Other Assets	23,937
Total	**34,944**

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II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity profile of deposits

Current Period

December 31, 2018	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**5,744,919**	**-**	**6,643,429**	**35,802,910**	**4,275,941**	**831,277**	**561,358**	**3,851**	**53,863,685**
Foreign currency deposits	**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**

Prior Period

December 31, 2017	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**6,056,971**	**-**	**3,050,910**	**31,050,795**	**2,289,658**	**270,480**	**177,229**	**2,178**	**42,898,221**
Foreign currency deposits	**7,173,350**	**-**	**2,608,077**	**24,483,346**	**1,775,564**	**1,135,081**	**4,702,551**	**-**	**41,877,969**
Residents in Turkey	6,810,525	-	2,606,029	24,058,549	1,430,203	720,911	998,723	-	36,624,940
Residents in abroad	362,825	-	2,048	424,797	345,361	414,170	3,703,828	-	5,253,029
Public sector deposits	**7,188,859**	**-**	**6,443,410**	**7,672,161**	**1,141,489**	**4,439,864**	**176,770**	**-**	**27,062,553**
Commercial deposits	**3,773,023**	**-**	**5,746,560**	**10,678,076**	**2,281,607**	**190,433**	**8,957**	**-**	**22,678,656**
Other	**3,834,320**	**-**	**982,513**	**3,345,561**	**1,163,948**	**21,913**	**32,402**	**-**	**9,380,657**
Precious metal deposits	**1,600,963**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,600,963**
Bank deposits	**489,785**	**-**	**7,033,739**	**2,058,712**	**18,565**	**59,147**	**118,155**	**-**	**9,778,103**
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic banks	140,446	-	6,644,460	947,960	18,565	-	-	-	7,751,431
Foreign banks	255,751	-	200,144	768,660	-	59,147	41,441	-	1,325,143
Participation banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	**30,117,271**	**-**	**25,865,209**	**79,288,651**	**8,670,831**	**6,116,918**	**5,216,064**	**2,178**	**155,277,122**

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

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

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

Saving deposits out of insurance coverage limits

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

	Prior Period - December 31, 2017
Deposits and other accounts at foreign branches	22,958
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-

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2. Information on derivative financial liabilities held for trading purpose

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

Current Period - December 31, 2018	TL	FC
Forwards	74,131	7,626
Swaps	2,011,906	414,240
Futures	-	-
Options	37,282	3,992
Other	-	-
Total	**2,123,319**	**425,858**

Prior Period - December 31, 2017	TL	FC
Forwards	19,903	5,240
Swaps	965,364	162,772
Futures	-	-
Options	30,336	915
Other	-	-
Total	**1,015,603**	**168,927**

3. Information on banks and other financial institutions

Current Period - December 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	431,595
Domestic banks and institutions	175,965	2,481,603
Foreign banks, institutions and funds	571,642	37,689,031
Total	**747,607**	**40,602,229**

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	235,102
Domestic banks and institutions	96,890	600,641
Foreign banks, institutions and funds	571,642	26,803,346
Total	**668,532**	**27,639,089**

Maturity information of funds borrowed

Current Period - December 31, 2018	TL	FC
Short-term (*)	176,403	4,193,586
Medium and Long-term (*)	571,204	36,408,643
Total	**747,607**	**40,602,229**

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

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Prior Period - December 31, 2017	TP	FC
Short-term (*)	98,337	2,927,224
Medium and Long-term (*)	570,195	24,711,865
Total	**668,532**	**27,639,089**

(*) 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 13.65% (December 31, 2017: 11.45%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

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

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

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

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

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

As of December 31, 2018, the total balance is equivalent of USD 1.492 million and EUR 319 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, the 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.

Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the Bank has issued Turkey's first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on June 17, 2014 has a nominal value of 500 million Euros, maturity date on June 17, 2019 with fixed rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

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

Within the context of Global Medium Term Notes (GMTN), the Bank has issued 234 private placements with 19 different banks from 2013 June on .This private placements are issued in several currencies (US Dollar, Euro, Swiss Frank and Japanese Yen) and with different maturities which are 3 months, 6 months, 1 year and 2 years. Bank has issued 4,889 million US Dollars private placements as of December 31, 2018. The total private placements are 5 million Euros as of the same date.

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

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

On December 7, 2018 the Bank issued the second transaction of 2018 abroad with a nominal value of TL 1,000 million and 5 years of maturity. Thus, the Covered Bond issuences reached TL 7.7 billion.

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

	TL		FC	
Prior Period - December 31, 2017	**Short Term**	**Medium-Long Term**	**Short Term**	**Medium-Long Term**
Nominal	3,647,403	2,816,000	98,149	12,831,440
Cost	3,492,003	2,816,000	98,149	12,758,003
Net Book Value	3,566,573	2,876,546	98,742	12,943,237

4. 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.

5. Information on lease payables (net)

Obligations under financial leasing

None.

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

Negative fair values of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

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

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Information on employee rights

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

As of December 31, 2018, TL 427,866 (December 31, 2017: TL 388,002) provision for severance pay and TL 144,983 (December 31, 2017 TL 102,256) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period - December 31, 2018
Opening balance	**388,002**
Current service cost	36,627
Previous service cost	(7,438)
Interest cost	44,225
Paid compensation	(52,690)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	5,905
Actuary loss/(gain)	(13,235)
Closing balance	**427,866**

	Prior Period - December 31, 2017
Opening balance	**374,691**
Current service cost	36,861
Previous service cost	8,866
Interest cost	38,395
Paid compensation	(39,522)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	(569)
Actuary loss/(gain)	(30,720)
Closing balance	**388,002**

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 2019 is identified.

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

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

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

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

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

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

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

	Current Period - December 31, 2018
Bank placements	2,453,589
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	659,360
Tangible assets(*)	1,723,954
Other	192,812
Total	**5,029,717**

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

(*) As of 31 December 2017, 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

	Current Period - December 31, 2018
Provision for currency exchange loss on foreign currency indexed loans	-

	Prior Period - December 31, 2017
Provision for currency exchange loss on foreign currency indexed loans	10,253

The Bank has not recorded provision amounting to TL (December 31, 2017: TL 10,253 for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.)

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

As of December 31, 2018, Bank has recorded TL 26,739 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of December 31, 2018, free provision amounting to TL 1,030,000 of which TL 530,000 was recognized as expense in the current period and TL 500,000 had been recognized as expense in prior period, which is not in accordance with the reporting standards, provided by the Bank management in line with the conservatism principle considering the possible effect of the circumtances that may arise from the negative changes in the economy and market conditions. (31 December 2017: TL 500,000)

8. Taxation

Current taxes

Tax provision

As at December 31, 2018, the corporate taxes payable is amounted to TL 287,219 (December 31, 2017: TL 313,173).

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Information on taxes payable

	Current Period - December 31, 2018
Corporate taxes payable	287,219
Taxation on securities	237,984
Capital gains tax on property	3,046
Banking and Insurance Transaction Tax (BITT)	207,040
Taxes on foreign exchange transactions	-
Value added tax payable	4,155
Other	33,171
Total	**772,615**

	Prior Period - December 31, 2017
Corporate taxes payable	313,173
Taxation on securities	160,257
Capital gains tax on property	3,045
Banking and Insurance Transaction Tax (BITT)	-
Taxes on foreign exchange transactions	121,325
Value added tax payable	4,234
Other	32,683
Total	**634,717**

Information on premiums payable

	Current 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	1,084
Unemployment insurance- employer share	2,165
Other	-
Total	**3,249**

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	Prior Period - December 31, 2017
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	7
Unemployment insurance- employee share	887
Unemployment insurance- employer share	1,773
Other	14
Total	**2,681**

Information on deferred tax liabilities

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

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

None.

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 trance at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

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

In 2012, the Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 228 million which issued abroad, with the new Basel III compliant conditions, was completed on 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%.

On September 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 recallable in 5 years, and has quarterly coupon payments.

On September 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 recallable at the end of 5 years and has semiannual coupon payments.

Stated bonds' total balance sheet value is TL 13,022,023 as of December 31, 2018 (December 31, 2017: TL 5,935,969).

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Current Period - 31 December 2018	**TL**	**FC**
Debt instruments to be included in the additional capital calculation	**5,138,704**	**-**
Subordinated Loans	-	-
Subordinated Debt Instruments	5,138,704	-
Debt instruments to be included in the additional capital calculation	**529,417**	**7,353,902**
Subordinated Loans	-	-
Subordinated Debt Instruments	529,417	7,353,902
Total	**5,668,121**	**7,353,902**

11. Information on equity

Paid-in capital

	Current Period - December 31, 2018
Common Stock	2,500,000
Preferred Stock	-

	Prior Period - December 31, 2017
Common Stock	2,500,000
Preferred Stock	-

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; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), 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 RegisteredShare 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.

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Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period

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.

Valuation differences of the marketable securities

Current Period - December 31, 2018	TL	FC
Associates, subsidiaries and joint ventures	1,459,312	(3,983)
Financial assets at fair value through other comprehensive income	(120,921)	20,624
Foreign exchange differences	80,727	-
Total	**1,419,118**	**16,641**

Prior Period - December 31, 2017	TL	FC
Associates, subsidiaries and joint ventures	1,095,532	54,148
Financial assets at fair value through other comprehensive income	(299,308)	141,735
Foreign exchange differences	80,727	-
Total	**876,951**	**195,883**

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, 2018
Commitments for credit card limits	13,549,649
Loan granting commitments	14,103,024
Commitments for cheque payments	1,979,217
Asset purchase sale commitments	3,754,254
Other	1,476,066
Total	**34,862,210**

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	Prior Period - December 31, 2017
Commitments for credit card limits	10,534,862
Loan granting commitments	11,843,577
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	2,264,499
Total	**28,940,848**

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 258,210 (December 31, 2017: TL 169,355) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 26,739 (December 31, 2017: TL 75,942).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period - December 31, 2018
Provisional letters of guarantee	1,913,828
Final letters of guarantee	18,753,120
Letters of guarantee for advances	6,838,656
Letters of guarantee given to custom offices	1,314,771
Other letters of guarantee	23,129,902
Total	**51,950,277**

	Prior Period - December 31, 2017
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,177,322
Total	**40,168,820**

2. Non-cash loans

	Current Period - December 31, 2018
Non-cash loans given for cash loan risks	10,058,836
With original maturity of 1 year or less	*3,334,315*
With original maturity of more than 1 year	*6,724,521*
Other non-cash loans	55,106,440
Total	**65,165,276**

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	Prior Period - December 31, 2017
Non-cash loans given for cash loan risks	3,771,138
With original maturity of 1 year or less	*1,216,243*
With original maturity of more than 1 year	*2,554,895*
Other non-cash loans	46,996,446
Total	**50,767,584**

3. Sectoral risk concentrations of non-cash loans

Current Period - December 31, 2018	**TL**	**%**	**FC**	**%**
Agricultural	**32,052**	**0.09**	**59,331**	**0.21**
Farming and Cattle	29,692	0.08	59,331	0.21
Forestry	1,698	-	-	-
Fishing	662	-	-	-
Manufacturing	**12,489,776**	**33.78**	**14,033,362**	**49.78**
Mining	218,076	0.59	126,887	0.45
Production	8,147,262	22.04	13,170,945	46.72
Electric, gas and water	4,124,438	11.16	735,530	2.61
Construction	**7,726,291**	**20.90**	**5,137,296**	**18.22**
Services	**15,655,239**	**42.34**	**7,036,309**	**24.96**
Wholesale and retail trade	5,545,235	15.00	4,032,371	14.30
Hotel, food and beverage Services	336,135	0.91	245,307	0.87
Transportation and telecommunication	1,986,293	5.37	1,122,991	3.98
Financial institutions	4,366,401	11.81	94,258	0.33
Real estate and renting Services	1,663,203	4.50	402,537	1.43
Self-employment services	1,455,236	3.94	456,663	1.62
Education services	51,743	0.14	4,085	0.01
Health and social services	250,993	0.68	678,097	2.41
Other	**1,068,562**	**2.89**	**1,927,058**	**6.84**
Total	**36,971,920**	**100.00**	**28,193,356**	**100.00**

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Prior Period - December 31, 2017	TL	%	FC	%
Agricultural	**40,142**	**0.13**	**20,449**	**0.11**
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	0.01	-	-
Manufacturing	**12,256,698**	**38.17**	**7,292,016**	**39.09**
Mining	281,602	0.87	175,494	0.94
Production	7,930,683	24.70	6,505,402	34.87
Electric, gas and water	4,044,413	12.60	611,120	3.28
Construction	**4,855,489**	**15.12**	**1,577,187**	**8.45**
Services	**13,929,661**	**43.38**	**5,397,807**	**28.93**
Wholesale and retail trade	5,412,904	16.86	3,084,564	16.54
Hotel, food and beverage Services	269,673	0.84	18,654	0.10
Transportation and telecommunication	1,530,254	4.77	754,438	4.04
Financial institutions	3,537,700	11.02	437,212	2.34
Real estate and renting Services	1,558,909	4.85	408,524	2.19
Self-employment services	1,439,047	4.48	682,640	3.66
Education services	37,182	0.12	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
Other	**1,027,932**	**3.20**	**4,370,203**	**23.42**
Total	**32,109,922**	**100.00**	**18,657,662**	**100.00**

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

	Group I		Group II	
Current Period - December 31, 2018	**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**

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	Group I		Group II	
Prior Period - December 31, 2017	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	31,630,753	8,020,115	240,831	110,773
Confirmed Bills of Exchange and Acceptances	44,700	1,510,854	-	-
Letters of Credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	46,052	-	-
Non-Cash Loans	**31,705,614**	**18,536,488**	**240,831**	**115,296**

5. Information on derivative transactions

	Current Period - December 31, 2018
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	**45,226,545**
Currency Forwards	2,744,719
Currency Swaps	39,999,299
Currency Futures	-
Currency Options	2,482,527
Interest Rate Derivative Transactions (II)	**46,832,308**
Interest Rate Forwards	-
Interest Rate Swaps	46,832,308
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivatives (III)	**17,683,118**
A. Total Trading Derivatives (I+II+III)	**109,741,971**
Hedging Derivatives	**-**
Fair Value Hedges	-
Cash Flow Hedges	-
Hedges for Foreign Currency Investments	-
B. Total Hedging Derivatives	**-**
Derivative Transactions (A+B)	**109,741,971**

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	Prior Period - December 31, 2017
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	**27,431,476**
Currency Forwards	2,770,498
Currency Swaps	23,803,342
Currency Futures	-
Currency Options	857,636
Interest Rate Derivative Transactions (II)	**16,961,096**
Interest Rate Forwards	-
Interest Rate Swaps	16,961,096
Interest Rate Options	-
Securities Call Put Options	-
Interest Rate Futures	-
Other Trading Derivatives (III)	**16,340,947**
A. Total Trading Derivatives (I+II+III)	**60,733,519**
Hedging Derivatives	**-**
Fair Value Hedges	-
Cash Flow Hedges	-
Hedges for Foreign Currency Investments	-
B. Total Hedging Derivatives	-
Derivative Transactions (A+B)	**60,733,519**

Current Period - December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	9,900,949	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**

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

Prior Period - December 31, 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	3,208,743	2,610,791	1,146,654	271,380	-	7,237,568
Sale	608,287	374,412	1,121,536	287,826	-	2,392,061
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	**4,136,503**	**3,080,526**	**2,801,093**	**13,990,524**	**7,587,873**	**31,596,519**
Total sales	**4,043,853**	**3,072,749**	**2,688,268**	**12,718,703**	**6,613,427**	**29,137,000**
Total	**8,180,356**	**6,153,275**	**5,489,361**	**26,709,227**	**14,201,300**	**60,733,519**

6.Contingent assets and liabilities

Bank allocates TL 2,760 as provision for lawsuits against the Bank (December 31, 2017: 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.

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IV. INFORMATION ON DISCLOSURES RELATED TO THE STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

Current Period - December 31, 2018	TL	FC
Short-term Loans	8,060,493	380,763
Medium and Long-Term Loans	14,417,812	4,125,857
Non-performing Loans	346,695	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	**22,825,000**	**4,506,620**

Prior Period - December 31, 2017	TL	FC
Short-term Loans	4,816,136	180,467
Medium and Long-Term Loans	10,645,543	2,483,640
Non-performing Loans	137,052	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	**15,598,731**	**2,664,107**

Information on interest income received from banks

Current Period - December 31, 2018	TL	FC
Central Bank of Republic of Turkey	-	1,004
Domestic Banks	10,341	22,870
Foreign Banks	-	142,974
Foreign Head Office and Branches	-	-
Total	**10,341**	**166,848**

Prior Period - December 31, 2017	TL	FC
Central Bank of Republic of Turkey	-	6
Domestic Banks	8,690	5,368
Foreign Banks	57	38,517
Foreign Head Office and Branches	-	-
Total	**8,747**	**43,891**

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Information on interest income received from marketable securities portfolio

Current Period - December 31, 2018	TL	FC
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	975,143	33,387
Financial assets measured at amortized cost	4,648,680	375,482
Total	**5,623,823**	**408,869**

Prior Period - December 31, 2017	TL	FC
Financial assets held for trading	-	-
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	1,481,282	227,335
Investments held to maturity	1,111,569	48,705
Total	**2,592,851**	**276,040**

Information on interest income received from associates and subsidiaries

	Current Period -December 31, 2018
Interest Received from Associates and Subsidiaries	34,930

	Prior Period - December 31, 2017
Interest Received from Associates and Subsidiaries	17,079

2. Interest expense

Interest expense on funds borrowed

Current Period - December 31, 2018	TL	FC
Banks	**71,333**	**1,068,971**
Central Bank of Republic of Turkey	-	1,084
Domestic Banks	10,087	25,793
Foreign Banks	61,246	1,042,094
Foreign Head Offices and Branches	-	-
Other Institutions	**-**	**78,259**
Total	**71,333**	**1,147,230**

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Prior Period - December 31, 2017	**TL**	**FC**
Banks	**66,817**	**551,122**
Central Bank of Republic of Turkey	-	99
Domestic Banks	5,571	9,456
Foreign Banks	61,246	541,567
Foreign Head Offices and Branches	-	-
Other Institutions	**-**	**53,953**
Total	**66,817**	**605,075**

Interest expense paid to associates and subsidiaries

	Current Period - December 31, 2018
Interest Paid to Associates and Subsidiaries	363,511

	Prior Period - December 31, 2017
Interest Paid to Associates and Subsidiaries	153,477

Interest expense on securities issued

Interest paid to securities issued as at for the year ended December 31, 2018 is TL 2,003,259 (December 31, 2017: TL 1,020,139).

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

Maturity structure of the interest expense on deposits

		Time Deposits						
Current Period								
December 31, 2018	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**More than 1 Year**	**Cumulative deposit**	**Total**
TL								
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**
FC	-	-	-	-	-	-	-	-
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**

		Time Deposits						
Prior Period								
December 31, 2017	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**More than 1 Year**	**Cumulative deposit**	**Total**
TL								
Interbank deposits	-	4,583	181,129	3,707	-	-	-	189,419
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565
Commercial deposits	87	512,659	1,249,420	247,147	22,461	793	-	2,032,567
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	**9,698**	**1,242,723**	**5,841,164**	**743,320**	**438,259**	**39,402**	**119**	**8,314,685**
FC								
Foreign currency deposits	21,775	24,101	641,578	47,234	22,725	84,958	-	842,371
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	**24,587**	**30,147**	**661,010**	**47,698**	**28,038**	**98,916**	**-**	**890,396**
Grand Total	**34,285**	**1,272,870**	**6,502,174**	**791,018**	**466,297**	**138,318**	**119**	**9,205,081**

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3. Dividend Income

	Current Period - December 31, 2018
Financial assets at fair value through profit or loss	352
Financial assets at fair value through other comprehensive income	-
Affiliates and Subsidiaries	129,272
Total	**129,624**

	Prior Period - December 31, 2017
Trading Purpose Financial Assets	-
Financial Assets at Fair Value through Profit or Loss	-
Available-for-Sale Financial Assets	234
Others	93,327
Total	**93,561**

4. Information on trading income/loss

	Current Period - December 31, 2018
Income	**25,801,615**
Income from capital market operations	259,136
Income from derivative financial instruments	11,185,831
Foreign exchange gains	14,356,648
Loss	**25,157,980**
Loss from capital market operations	103,558
Loss from derivative financial instruments	10,923,754
Foreign exchange loss	14,130,668
Net trading profit/loss	**643,635**

	Prior Period - December 31, 2017
Income	**8,981,578**
Income from capital market operations	93,037
Income from derivative financial instruments	3,752,925
Foreign exchange gains	5,135,616
Loss	**(8,817,366)**
Loss from capital market operations	(47,888)
Loss from derivative financial instruments	(3,778,946)
Foreign exchange loss	(4,990,532)
Net trading profit/loss	**164,212**

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 (103,479) as at and for the year ended December 31, 2018 (December 31, 2017: TL (120,839)).

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5. Information on other operating income

	Current Period - December 31, 2018
Income from reversal of the specific provisions for loans from prior periods	933,910
Income from reversal of loans from prior periods	758,836
Communication income	36,269
Gain on sale of assets	191,650
Rent income	1,671
Other income	81,277
Total	**2,003,613**

	Prior Period - December 31, 2017
Income from reversal of the specific provisions for loans from prior periods	936,786
Communication income	43,602
Gain on sale of assets	148,977
Rent income	1,018
Other income	543,146
Total	**1,673,529**

6. Expected Credit Loss

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

(*) As of December 31, 2018, the Bank has provided a free provision amounting to TL 530,000 in 2018, in addition to TL 500,000 free provision, which was allocated in 2018 within the framework of the precautionary principle.

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

Provision expenses for losses on loans and other receivables

	Prior Period - December 31, 2017
Specific provisions on loans and other receivables	2,194,095
Loans and receivables in Group III	*485,250*
Loans and receivables in Group IV	*593,276*
Loans and receivables in Group V	*1,115,569*
Non-performing commissions and other receivables	-
General provision expenses	208
Provision for possible losses	500,000
Impairment losses on securities	424
Trading securities	-
Investment securities available-for-sale	*424*
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	29,147
Associates	-
Subsidiaries	*2,525*
Joint ventures	-
Investment securities held-to-maturity	*26,622*
Other (*)	63,659
Total	**2,787,533**

(*) Other provision expenses amounting to TL 63,659 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 48,866 and provision expenses related to retail loans amounting to TL 14,793.

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7. Information on other operating expenses

	Current Period - December 31, 2018
Personnel Costs	2,191,782
Reserve for Employee Termination Benefits	26,628
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	13,006
Depreciation Expenses on Tangible Assets	155,283
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	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	2,208,487
Operational lease expenses	*294,801*
Repair and maintenance expenses	*56,013*
Advertisement expenses	*163,194*
Other expenses	*1,694,479*
Loss on sale of assets	4,543
Other (*)	1,233,574
Total	**5,873,337**

(*) Other operating expenses amounting to TL 1,233,574; Dividends payable to personnel amounting to TL 276,496 taxes, duties, charges and funds amounting to TL 194,440, TMSF expenses amounting to TL 197,864 and other expenses amounting to TL 564,774.

	Prior Period - December 31, 2017
Personnel Costs	1,768,758
Reserve for Employee Termination Benefits	44,031
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Amortization Expenses on Tangible Assets	134,491
Impairment Losses on Intangible Assets	-
Amortization Expenses on Intangible Assets	26,780
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	1,844,656
Operational lease expenses	*247,667*
Repair and maintenance expenses	*62,247*
Advertisement expenses	*108,801*
Other expenses	*1,425,941*
Loss on sale of assets	1,834
Other (*)	600,178
Total	**4,420,728**

(*) Other operating expenses amounting to TL 600,178; Dividends payable to personnel amounting to TL 168,500 taxes, duties, fees and funds amounting to TL 148,817, TMSF expenses of TL 168,783 and other expenses amounting to TL 114,078.

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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 10 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 745,141 (December 31, 2017: TL 792,677) 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, 2018**
Arising from Origination / (Reversal) of Deductible Temporary Differences	145,251
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(399,715)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	**(254,464)**

Sources of deferred tax benefit/charge	**Prior Period - December 31, 2017**
Arising from Origination / (Reversal) of Deductible Temporary Differences	(47,016)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	**(159,072)**

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

The table of the tax provision reconciliation for the years December 31, 2018 and December 31, 2017 is as below.

	Current Period - December 31, 2018
Profit before tax	**5,153,927**
Additions	3,875,092
Reductions	4,028,642
Other	999,605
Basis	**4,000,772**
Corporate tax rate	22%
Tax calculated	**880,170**
Other corrections	119,435
Tax expense	**999,605**

	Prior Period - December 31, 2017
Profit before tax	**4,675,132**
Additions	1,578,221
Reductions	(1,479,835)
Other	(951,750)
Basis	**3,821,768**
Corporate tax rate	20%
Tax calculated	**764,354**
Other corrections	187,395
Tax expense	**951,749**

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 33,953,817 interest income, TL 2,293,210 net fees and commissions income and incurred TL 23,113,130 interest expenses, from ordinary banking transactions (December 31, 2017: TL 21,444,094 interest income, TL 12,822,668 interest expenses, TL 1,330,665 net fees and commissions income).

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

None.

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

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, transfer commissions and intelligence commissions.

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

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, 2018
Valuation differences at the beginning of the year	(157,573)
Fair value changes in the current year	49,261
Valuation differences transferred to the statement of income	21,481
Effect of deferred and corporate taxes	(13,466)
Valuation differences at the end of the year	**(100,297)**

Valuation Differences of Marketable Securities	Prior Period - December 31, 2017
Valuation differences at the beginning of the year	(215,834)
Fair value changes in the current year	115,416
Valuation differences transferred to the statement of income	(42,590)
Effect of deferred and corporate taxes	(14,565)
Valuation differences at the end of the year	**(157,573)**

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

Valuation Difference of the Subsidiaries and Affiliates	Prior Period - December 31, 2017
Valuation differences at the beginning of the year	913,862
Fair value changes in the current year	332,479
Valuation differences transferred to the statement of income	-
Effect of deferred and corporate taxes	(15,934)
Valuation differences at the end of the year	**1,230,407**

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

During the bank's 64th Shareholder's General Assembly Meeting on August 13, 2018, the Bank decided to distribute TL 372,338 of the distributable net period profit of 2017 totalling TL 3,723,383 to shareholders as legal reserves, TL 3,196,380 of it as extraordinary reserves, TL 29,665 of it as special fund and TL 125,000 of it as first dividend. The distribution of profits was completed within the year.

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.

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

1. Disclosures for "other" items in statement of cash flows and effect of change in foreign currency rates on cash and cash equivalents

"Other" item under the "operating profit before changes in operating assets and liabilities" amounting to TL (3,645,155) (December 31, 2017: (2,056,237) 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 7,502,053 (December 31, 2017: 10,851,526 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 16,971 (December 31, 2017: (43,729) 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, 2018 impact of the exchange rate change on cash and cash equivalents is TL 13,365 (December 31, 2017: (91,144) TL).

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

2. Cash flows from acquisition of affiliates, 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 affiliates, subsidiaries and joint-ventures

There is no disposal in associates, subsidiaries and joint-ventures in the current year.

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Prior Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	**1,979,531**	**1,785,996**
Cash in TL	1,395,342	1,281,047
Cash in foreign currency	**584,189**	**504,949**
Cash equivalents	18,967,532	9,322,773
CBRT	26,277,100	22,325,509
Banks	11,887,828	3,890,322
Receivables from money markets	1,652,102	-
Other	388,193	253,792
Loans and advances to banks having maturity of more than 3 months	(8,000)	(22,000)
Restricted cash and cash equivalents	(21,221,265)	(17,124,471)
Unrealized foreign exchange rate differences on cash equivalents	(8,426)	(379)
Total	**20,947,063**	**11,108,769**

Information on cash and cash equivalents at the end of the year

	Current 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	18,967,532
CBRT	29,144,389	26,277,100
Banks	5,018,593	11,887,828
Receivables from money markets	-	1,652,102
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**	**20,947,063**

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

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBRT amounting to TL 16,597,789 as at December 31, 2018 (December 31, 2017: TL 20,881,397) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 584,501 (December 31, 2017: TL 339,868) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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

	Affiliates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Current Period - December 31, 2018	**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

	Affiliates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Prior Period - December 31, 2017	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Loans and other receivables						
Balance at the beginning of the year	294,757	1,205,242	-	31,720	37,507	22,446
Balance at the end of the year	144,551	1,441,249	-	38,243	18,110	34,799
Interest and commission income	17,079	2,059	-	38	964	78

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

Information on deposits held by the Bank's risk group

Current Period - December 31, 2018	**Affiliates and Subsidiaries and Joint-Ventures**	**Bank's Direct and Indirect Shareholders**	**Other Components in Risk Group**
Deposits			
Balance at the beginning of the year	1,692,043	1,100,243	241,645
Balance at the end of the year	1,847,693	1,079,621	623,318
Interest on deposits	363,511	112,544	23,936

Prior Period - December 31, 2017	**Affiliates and Subsidiaries and Joint-Ventures**	**Bank's Direct and Indirect Shareholders**	**Other Components in Risk Group**
Deposits			
Balance at the beginning of the year	1,055,694	977,319	164,132
Balance at the end of the year	1,692,043	1,100,243	241,645
Interest on deposits	153,477	108,847	19,892

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

Bank's Risk Group Current Period - December 31, 2018	**Affiliates, Subsidiaries and Joint-Ventures**	**Bank's Direct and Indirect Shareholders**	**Other Components in Risk Group**
Transactions at Fair Value Through Profit or Loss	-	-	-
Beginning of the Period	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	**-**	**-**	**-**

Bank's Risk Group Prior Period - December 31, 2017	**Affiliates, Subsidiaries and Joint-Ventures**	**Bank's Direct and Indirect Shareholders**	**Other Components in Risk Group**
Held for Trading Transactions	-	-	-
Purchase balance at the beginning of the period	-	-	-
Sale balance at the beginning of the period	-	-	-
Purchase balance at the end of the period	217,476	-	-
Sale balance at the end of the period	223,669	-	-
Total profit/(loss)	**(1,355)**	**-**	**-**

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

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, 2017: 0.09) and 1.14 (December 31, 2017: 2.98), respectively.

Current 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

Prior Period - December 31, 2017	Amount	Compared with the Financial Statement Amount %
Cash Loans	162,661	0.09
Non-Cash Loans	1,514,291	2.98
Deposits	3,033,931	1.95
Forward and Option Agreements	441,145	0.73

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

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			
Domestic Branches (*)	948	16,721			
			Country		
Foreign Representative Offices	-	-			
				Total Assets	**Capital**
Foreign Branches	1	25	USA	4,331,529	87,120
	1	16	Iraq	609,742	264,000
Off-shore Branches	1	5	Bahrain	23,271,613	-

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

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

During 2018, 38 new domestic branches (2017: 7 domestic branches) have been opened and 14 branches have been closed (2017: 4).

SECTION SIX
OTHER DISCLOSURES

I. OTHER DISCLOSURES ON THE BANK'S ACTIVITY

As per the resolution of 64rd Annual General Assembly held on August 13, 2018, the net profit of year 2017 has been decided to be distributed as follows:

	Profit Distribution Table of Year 2017
Bank's unconsolidated profit in its statutory financial statements	**3,723,383**
Deferred tax credits	-
Net profit of the year subject to distribution	**3,723,383**
Legal reserves	372,338
First Legal Reserves	*186,169*
Reserves allocated according to banking law and articles of association.	*186,169*
Net profit of the year subject to distribution	**3,351,045**
Gain on sale of immovable and shares of associates and subsidiaries	29,665
Extraordinary reserves	3,196,380
Dividends to shareholders	**125,000**

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

October 2018	**Fitch Ratings**
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+ (Negative)
Viability Note	b+
September 2018	**Moody's Investors' Service**
Baseline Credit Assessment	b3
Local Currency Deposit Rating	B1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative
October 2018	**Standard&Poors**
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/--/trA-1
August 2018	**JCR Eurasia**
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA(Negative)
Short Term NSR	A-1 +(Negative)
Support	1
Independancy from Shareholders	A

(*) Dates represent last report dates.

III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

As per decision No. 92065 of the bank's Board of Directors dated December 13, 2018, the bank transferred all it's shares with 100% ownership in Vakıf Portföy Yönetimi AŞ to Ziraat Portföy Yönetimi AŞ as of January 2, 2019.

During the bank's Board of Directors meeting on January 24, 2019, the bank decided to decrease the number of Executive Vice Presidents from 14 to 12. Following this, Executive Vice Presidents Osman DEMREN and Mustafa SAYDAM have resigned from their positions.

Following the approval of the structured debt instruments issue cap application with a nominal value of TL 3,000,000,000, the bank issued a Vakıfbank structured debt instrument with a term of 35 days, a nominal value of TL 100,000,000 and an ISIN code of TR0VKFB00ZG6 to qualified investors as of January 25, 2019.

The bank issued and offered to the public a Vakıfbank financing bill totalling TL 100,000,000 (full TL) nominal value with a term of 210 days, starting January 23, 2019 and ending August 23, 2019, on 21-22-23 January 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB81917 was determined to have TL 9,327,768 (full TL) nominal value, 210 days term, term ending August 23, 2019, with an annual compound interest rate of 21.4606%, simple interest rate of 20.5711% and an issue price of TL 89,417.

The bank issued and offered to the public a Vakıfbank financing bill totalling TL 300,000,000 (full TL) nominal value with a term of 147 days, starting January 23, 2019 and ending June 21, 2019, on 21-22-23 January 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB61927 was determined to have TL 323,414,446 (full TL) nominal value, 147 days term, term ending June 21,2019, with an annual compound interest rate of 21.8393%, simple interest rate of 20.5603% and an issue price of TL 92,353.

The bank carried out an Covered Bond transaction issued on January 22, 2019, with a nominal value of TL 396,300,000, a term of 8 years ending on January 22, 2017 and an ISIN code of XS1938440069. At the same time, the total amount of foreign resources reached TL 550,000,000 with the inclusion of swap transactions carried out under treasury transactions.

The bank issued a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 789,640,321 and an ISIN code of TRFVKFB41952 to be sold to qualified investors following the approval of the TL 20,000,000,000 debt instruments issue cap application. The amount was transferred to customer accounts on January 18, 2019.

The bank carried out book-building regarding the issuing of a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 373,858,761 and an ISIN code of TRFVKFB41945 to be sold to qualified investors following the approval of the TL 20,000,000,000 debt instruments issue cap application. The amount was transferred to customer accounts on January 11, 2019.

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

None.

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, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 13, 2019 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank's financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI

CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying consolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated balance sheet as at 31 December 2018, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the basis for the qualified opinion section below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

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

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

3. Key Audit Matters

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

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
Expected Credit Loss in Accordance With TFRS 9 " Financial Instruments Standard" ("TFRS 9")	
The Group has total expected credit losses of TL 11,229,586 thousands in respect to loans and receivables of TL 239,879,787 thousands which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2018. Explanations and notes related to provision for impairment of loans are presented Section III Part VII, Section III Part VIII, Section V Part I-5 and Section V Part II-7 in the accompanying consolidated financial statements as at 31 December 2018. As of 1 January 2018, the Group started to recognize provision for impairment of loans in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. Accordingly, provisioning rules applicable as at 31 December 2017 under the previous BRSA regulation have changed with the application of expected credit loss model under TFRS 9 together with the rules on classification of loans as per their credit risk (staging). The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Group determines staging of credit identifying significant increase in credit risk with assess8ments and default events presented Section Three Part VII in the accompanying consolidated financial statements. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate. The Group has developed new and complex models, that requires data to be derived from multiple systems and has not been part of the financial reporting process before for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses.	With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We assessed the design and the operating effectiveness of relevant controls implemented in accordance with these principles. Within the framework of the policies and procedures applied by the Group, together with our financial risk experts, we have checked and assessed the appropriateness of the methods used in the model developed for staging of loans and calculation of expected credit losses in accordance with TFRS 9. For forward looking assumptions (including macro-economic factors) made by the Group's management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information. We have tested model calculations through re-performance together with our modelling specialists on a sample selection basis. Our audit processes also include the following procedures: • The basic and important estimates and the assumptions related to macroeconomic variables, significant increase in credit risk in the calculation of expected credit losses, default definition, probability of default and loss given default were assessed and tested with the help of our financial risk experts. • We have checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked sources for data used in expected credit losses calculations. We assessed reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. We checked the accuracy of resultant expected credit loss calculations on a sample basis.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
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. ***First time application of TFRS 9*** The Group has adopted TFRS 9 to replace "TAS 39 Financial Instruments: Recognition and measurement" as of 1 January 2018. Transition resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The impact of the first application of TFRS 9 and relevant disclosures are presented in Section 3 Part 1 in the accompanying consolidated financial statements as at 31 December 2018. TFRS 9 Financial Instruments Standard consists of three phases: Phase 1 - Classification and measurement of financial assets and financial liabilities; Phase 2 - Expected credit losses and Phase 3 - Hedge accounting. Management assessed the business model to determine whether its financial assets are held to collect, held to collect and sell or other. For the financial assets in every business model, management has performed assessment for each type of product to conclude whether the cash flows from financial instruments fulfil the solely of payment of principal of interest criteria ('SPPI').	• To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment under TFRS 9, we have performed loan review procedures based on a selected sample. • We assessed accuracy and completeness of the disclosures in the financial statements the Group presented in relation to expected credit losses. With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following; We have read the Group's TFRS 9 based classification and measurement policy for financial assets and financial liabilities, and compared it with the requirements of TFRS 9. We obtained and reviewed the Group's business model assessment. We assessed criterias used to determine contracts which give rise to cash flows that are solely payments of principal and interest, and tested contracts representing product groups based on a selected sample.

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
First time application of TFRS 9 (Continued)	
TFRS 9 lead to an increase in complexity and in the degree of judgment required to calculate the expected credit losses. First time application of the standard, required significant judgment and interpretation especially in development of expected credit losses models. Regarding changes due to adoption of TFRS 9, explanations regarding Group's transition to expected credit losses approach are stated in key audit matter "Expected credit losses for loans" The Group has elected to continue to apply the hedge accounting requirements of TAS 39. As first time application of TFRS 9 requires number of decision making based on interpretation and judgment, and as it is a major change in the accounting framework of the Group, we considered this as key audit matter.	Audit procedures related to TFRS 9 expected credit losses phase and relevant models are explained in the part 'how the key audit matter was addressed in the audit' of key audit matter titled "Expected credit losses for loans" We checked the appropriateness of the opening balance adjustments and disclosures presented related to first time application of TFRS 9.
Valuation of Pension Fund Obligations	
Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying consolidated financial statements as at 31 December 2018. "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. 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.	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. 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. 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. In addition to the above procedures, we have reviewed disclosures made with respect to pension funds.

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 26 February 2019

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

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

The consolidated financial report as at and for the year ended December 31, 2018 prepared in accordance with the "Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks" as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

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

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

February 26, 2019

Doç. Dr. Şahap KAVCIOĞLU
Deputy Chairman of the Board and Audit Committee Member

Serdar TUNÇBİLEK
Board and Audit Committee Member

Mehmet Emin ÖZCAN
General Manager and Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Ferkan MERDAN
Director of Accounting and Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title	: Burcu SÜTCÜ AKDAĞ / Manager	Name-Surname/Title	: Mehmet Fatih METE / Asst. Manager
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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

SECTION ONE

GENERAL INFORMATION

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

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

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

The shareholder having control over the shares of The Parent Bank is the General Directorate of the Foundations.
As at December 31, 2018 and December 31, 2017, The Parent Bank's paid-in capital is TL 2,500,000 divided into 250,000,000,000 shares with each has a nominal value of Kr 1.

The Parent Bank's shareholders structure as at December 31, 2018 and December 31, 2017 is stated below:

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

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

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

Board of Directors membership election of the Parent Bank is renewed every year in the General Meeting.
Abdi Serdar ÜSTÜNSALİH, Senior Vice President, has been appointed as Executive Vise President by the Board decision dated July 4, 2018.

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

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

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

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

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

IV. INFORMATION ON THE PARENT BANK'S QUALIFIED SHAREHOLDERS

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	-

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

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

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

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

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

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

As at and for the year ended December 31, 2018, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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

As at and for the year ended December 31, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2018

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

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2017

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2018

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT DECEMBER 31, 2017

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

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

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CONSOLIDATED OFF-BALANCE SHEET AS AT DECEMBER 31, 2018

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED OFF-BALANCE SHEET AS AT DECEMBER 31, 2017

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

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

	STATEMENT OF CHANGES IN SHAREHOLDERS						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Audited	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss	Current Period Profit or (Loss	Total SE without minority share	Minority interest	Total
	Current Period December 31, 2018																	
I.	**Prior Period End Balance**		**2,500,000**	**724,269**	**-**	**80,404**	**1,046,956**	**(29,004)**	**56,141**	**-**	**(121,160)**	**-**	**14,805,097**	**3,881,265**	**-**	**22,943,968**	**677,103**	**23,621,071**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**161,636**	**-**	**-**	**506,602**	**-**	**668,238**	**-**	**668,238**
2.1.	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	161,636	-	-	506,602	-	668,238	-	668,238
III.	**Adjusted Beginning Balance (I+II)**		**2,500,000**	**724,269**	**-**	**80,404**	**1,046,956**	**(29,004)**	**56,141**	**-**	**40,476**	**-**	**14,805,097**	**4,387,867**	**-**	**23,612,206**	**677,103**	**24,289,309**
3.1.	Total Comprehensive Income		-	-	-	-	171,176	(12,353)	383,241	102,292	(158,245)	(102,292)	-	-	4,544,278	4,928,097	69,271	4,997,368
3.2.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3.	Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4.	Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.5.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7.	Increase/Decrease by Other Changes		-	7	-	11,029	-	-	2,347	-	-	-	136	(189,743)	-	(176,224)	(4,700)	(180,924)
IV.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,645,698**	**(3,645,698)**	**-**	**-**	**-**	**-**
4.1.	Dividends paid	V-V-5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2.	Transfers to Reserves	V-V-5	-	-	-	-	-	-	-	-	-	-	3,645,698	(3,645,698)	-	-	-	-
4.3.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance		**2,500,000**	**724,276**	**-**	**91,433**	**1,218,132**	**(41,357)**	**441,729**	**102,292**	**(117,769)**	**(102,292)**	**18,450,931**	**552,426**	**4,544,278**	**28,364,079**	**741,674**	**29,105,753**

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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.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Audited	Notes	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/ (Loss)	Prior Period Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period December 31, 2017																			
I.	**Balances at the beginning of the period**		2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	-	2,775,944	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472
	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	**Mergers**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Associates, Subsidiaries and "Available-for-sale" securities**		-	-	-	-	-	-	-	-	-	-	64,587	-	-	-	-	64,587	-	64,587
IV.	**Hedges for risk management**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Revaluation surplus on tangible assets**		-	-	-	-	-	-	-	-	-	-	-	(873)	-	-	-	(873)	7,065	6,192
VI.	**Revaluation surplus on intangible assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares of associates, subsidiaries and joint-ventures**		-	-	-	-	-	-	-	-	-	-	-	-	230	-	-	230	-	230
VIII.	**Translation differences**		-	-	-	-	-	-	-	(27,252)	-	-	-	-	-	-	-	(27,252)	-	(27,252)
IX.	**Changes resulted from disposal of the assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes resulted from reclassifications of the assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effect of change in equities of associates on the Bank's equity**		-	-	-	-	-	-	-	-	-	(37,096)	3,456	1,188	-	-	-	(32,452)	-	(32,452)
XII.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share issuance**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Capital reserves from inflation adjustments to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	(3,511)	-	(584)	-	(1,128)	98,648	-	(37,192)	-	-	-	-	-	56,233	59,172	115,405
XVII.	**Current period's net profit/ loss**		-	-	-	-	-	-	-	-	3,932,432	-	-	-	-	-	-	3,932,432	84,914	4,017,346
XVIII.	**Profit distribution**		-	-	-	-	273,652	-	2,282,692	20,048	-	(2,752,822)	-	49,444	-	-	-	(126,986)	(1,577)	(128,563)
18.1	Dividends		-	-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	(120,000)	(8,563)	(128,563)
18.2	Transferred to reserves		-	-	-	-	273,652	-	2,282,692	20,048	-	(2,632,822)	-	49,444	-	-	-	(6,986)	6,986	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance		2,500,000	-	724,269	-	1,709,855	6,337	12,438,139	698,253	3,932,432	(51,166)	(63,126)	1,046,956	3,913	-	-	22,945,862	677,103	23,622,965

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2018

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

		Notes	Audited Current Period December 31, 2018
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT[***]**		
1.1	**CURRENT YEAR'S PROFIT**		**5,153,927**
1.2	**TAXES AND LEGAL DUTIES PAYABLE**		**(999,605)**
1.2.1	Corporate tax (income tax)	V-IV-11	(745,141)
1.2.2	Withholding tax		-
1.2.3	Other taxes and duties [**]	V-IV-11	(254,464)
A.	**NET PROFIT FOR THE YEAR**		**4,154,322**
1.3	**DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES**	**V-IV-11**	**-**
B.	**NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME**		**4,154,322**
1.4	**ACCUMULATED LOSSES**		**-**
1.5	**FIRST LEGAL RESERVES**	**V-V-5**	**-**
1.6	**OTHER STATUTORY RESERVES**	**V-V-5**	**-**
C.	**NET PROFIT AVAILABLE FOR DISTRIBUTION[*]**		**-**
1.7	**FIRST DIVIDEND TO SHAREHOLDERS**		**-**
1.7.1	To owners of ordinary shares		-
1.7.2	To owners of privileged shares		-
1.7.3	To owners of redeemed shares		-
1.7.4	To profit sharing bonds		-
1.7.5	To holders of profit and loss sharing certificates		-
1.8	**DIVIDENDS TO PERSONNEL**		**-**
1.9	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
1.10	**SECOND DIVIDEND TO SHAREHOLDERS**		**-**
1.10.1	To owners of ordinary shares		-
1.10.2	To owners of privileged shares		-
1.10.3	To owners of redeemed shares		-
1.10.4	To profit sharing bonds		-
1.10.5	To holders of profit and loss sharing certificates		-
1.11	**SECOND LEGAL RESERVES**		**-**
1.12	**STATUS RESERVES**		**-**
1.13	**EXTRAORDINARY RESERVES**	**V-V-5**	**-**
1.14	**OTHER RESERVES**		**-**
1.15	**SPECIAL FUNDS**	**V-V-5**	**-**
II.	**DISTRIBUTION FROM RESERVES**		**-**
2.1	**DISTRIBUTION OF RESERVES**		**-**
2.2	**SECOND LEGAL RESERVES**		**-**
2.3	**DIVIDENTS TO SHAREHOLDERS**		**-**
2.3.1	To owners of ordinary shares		-
2.3.2	To owners of privileged shares		-
2.3.3	To owners of redeemed shares		-
2.3.4	To profit sharing bonds		-
2.3.5	To holders of profit and loss sharing certificates		-
2.4	**DIVIDENDS TO PERSONNEL**		**-**
2.5	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
III.	**EARNINGS PER SHARE**		**-**
3.1	**TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)**		**1.6617**
3.2	**TO OWNERS OF ORDINARY SHARES (%)**		**166.17**
3.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
3.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**
IV.	**DIVIDEND PER SHARE**		**-**
4.1	**TO OWNERS OF ORDINARY SHARES**		**-**
4.2	**TO OWNERS OF ORDINARY SHARES (%)**		**-**
4.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
4.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**

(*) As of the report date, distributable net profit of the period is not shown as any decision regarding the 2018 profit distribution is not taken.
(**) The amount shown in other taxes and legal liabilities is deferred income/expense tax, and deferred tax income is not subject to profit distribution.
(***) The profit distribution is based on the non-consolidated financial statements of the Parent Bank.

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2017

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

		Notes	Audited Prior Period December 31, 2017
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT(**)**		
1.1	**CURRENT YEAR'S PROFIT**		**4,675,132**
1.2	**TAXES AND LEGAL DUTIES PAYABLE**		**(951,749)**
1.2.1	Corporate tax (income tax)	V-IV-11	(792,677)
1.2.2	Withholding tax		-
1.2.3	Other taxes and duties (*)	V-IV-11	(159,072)
A.	**NET PROFIT FOR THE YEAR**		**3,723,383**
1.3	**DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES**	**V-IV-11**	**-**
B.	**NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME**		**3,723,383**
1.4	**ACCUMULATED LOSSES**		**-**
1.5	**FIRST LEGAL RESERVES**	**V-V-5**	**186,169**
1.6	**OTHER STATUTORY RESERVES**	**V-V-5**	**186,169**
C.	**NET PROFIT AVAILABLE FOR DISTRIBUTION**		**3,351,045**
1.7	**FIRST DIVIDEND TO SHAREHOLDERS**		**125,000**
1.7.1	To owners of ordinary shares		125,000
1.7.2	To owners of privileged shares		-
1.7.3	To owners of redeemed shares		-
1.7.4	To profit sharing bonds		-
1.7.5	To holders of profit and loss sharing certificates		-
1.8	**DIVIDENDS TO PERSONNEL**		**-**
1.9	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
1.10	**SECOND DIVIDEND TO SHAREHOLDERS**		**-**
1.10.1	To owners of ordinary shares		-
1.10.2	To owners of privileged shares		-
1.10.3	To owners of redeemed shares		-
1.10.4	To profit sharing bonds		-
1.10.5	To holders of profit and loss sharing certificates		-
1.11	**SECOND LEGAL RESERVES**		**-**
1.12	**STATUS RESERVES**		**-**
1.13	**EXTRAORDINARY RESERVES**	**V-V-5**	**3,196,380**
1.14	**OTHER RESERVES**		**-**
1.15	**SPECIAL FUNDS**	**V-V-5**	**29,665**
II.	**DISTRIBUTION FROM RESERVES**		**-**
2.1	**DISTRIBUTION OF RESERVES**		**-**
2.2	**SECOND LEGAL RESERVES**		**-**
2.3	**DIVIDENTS TO SHAREHOLDERS**		**-**
2.3.1	To owners of ordinary shares		-
2.3.2	To owners of privileged shares		-
2.3.3	To owners of redeemed shares		-
2.3.4	To profit sharing bonds		-
2.3.5	To holders of profit and loss sharing certificates		-
2.4	**DIVIDENDS TO PERSONNEL**		**-**
2.5	**DIVIDENDS TO BOARD OF DIRECTORS**		**-**
III.	**EARNINGS PER SHARE**		**-**
3.1	**TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)**		**1.4894**
3.2	**TO OWNERS OF ORDINARY SHARES (%)**		**148.94**
3.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
3.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**
IV.	**DIVIDEND PER SHARE**		**-**
4.1	**TO OWNERS OF ORDINARY SHARES**		**-**
4.2	**TO OWNERS OF ORDINARY SHARES (%)**		**-**
4.3	**TO OWNERS OF PRIVILEGED SHARES**		**-**
4.4	**TO OWNERS OF PRIVILEGED SHARES (%)**		**-**

(*) The amount shown in other taxes and legal liabilities is deferred income/expense tax, and deferred tax income is not subject to profit distribution.
(**) The profit distribution is based on the non-consolidated financial statements of the Parent Bank.

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

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

SECTION THREE
ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

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

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

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

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

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

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

Information on foreign currency transactions

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

As of September 30, 2016 reporting period, the Parent Bank started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Parent Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at December 31, 2018 is TL 102,292. The effectiveness of the process is the degree of offset of the amount of changes in the hedged items' fair values that may be associated with the foreign exchange risks by the hedging instrument.

As of December 31, 2018, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Parent Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

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

Consolidated subsidiaries

As at and for the year ended December 31, 2018, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik ve Hayat AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at December 31, 2018 and December 31, 2017, but its equity until the merger date has been included in the accompanying consolidated financial statements.

Investments in associates consolidated per equity method

As at and for the year ended December 31, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

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

VII. INFORMATION ON FINANCIAL ASSETS AND FOOTNOTES

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

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

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 aimes 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.

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

During initial recognition an entity can choose in an irrecovable 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 fows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

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

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

Derivative Financial Assets

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

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

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

Loans

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

VIII. INFORMATION ON EXPECTED LOSS PROVISIONS

As of January 1, 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated June 22, 2016 numbered 29750. In this framework, as of December 31, 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. Expected credit loss model is applied to financial assets measured at amortized cost or financial assets at fair value through other comprehensive income (e.g. placements, loans and leasing receivables), loan commitments and financial guarantee contracts.

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

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

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

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

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

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

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

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

- 12 Months PD ratio: The probability of default within 12 months from the reporting date estimate

- Lifetime PD ratio: Estimation of the probability of default over the expected life of the financial instrument

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

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

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

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

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

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

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

Staging

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

Significant Increase in Credit Risk

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

- Past Due Date; significant increase in the credit risk since the granting date in the case of loans overdue more than 30 days.
- Restruction: Classification of financial assets under the stage2 as a result of the emergence of privileges and financial difficulties in the case of restructuring of financial receivables.

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

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

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

Default Definition

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

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

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

Write off Policy

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

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

IX. INFORMATION ON OFFSETTING OF FINANCIAL INSTRUMENTS

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

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

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

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

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

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

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES

Leasing activities

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

- Finance leasing activities as the lessee

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

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

- Finance leasing transactions as lessor

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

Operational leases

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

XV. INFORMATION ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2018 is TL 5,434 (full TL) (December 31, 2017: TL 4,732 (full TL)).

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

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

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

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

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

Other benefits to employees

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

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

Pension fund

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

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

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

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

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

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

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

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

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

XVII. INFORMATION ON TAXATION

Corporate tax

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

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

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

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

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

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

There is no agreement with the tax authorities about the tax payables in Turkey. Corporate tax return declared until the evening of the 25th day of the fourth month following the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records within five years and change the tax amount if there is a wrong transaction.

Corporation tax legislation for the foreign branches

Bahrain (Manama)

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

North Iraq (Erbil)

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

USA (New York)

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

Banking and Insurance Transaction Tax

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

Deferred taxes

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

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

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

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

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

Transfer Pricing

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

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

XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The group is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

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

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

XXIV. OTHER MATTERS

Earnings per shares

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

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

Related parties

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

Insurance operations

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

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

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

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

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Under secretariat of Treasury, which are applicable for Turkish insurance companies. Mathematical provision also includes the saving portion of the provisions for saving life product.

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

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

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

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

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

Individual pension business

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

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

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

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

Classifications

Reclassification procedures in scope of TFRS 9 are stated below.

TFRS 9 Finacial Instruments implementation and effects

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

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

Classification and measurement of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*) Within the scope of TFRS 9 Financial Assets Measured at Amortized Cost include provisions for Financial Assets at Fair Value through Other Comprehensive Income, Banks and Receivables from Money Market.
(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified “General Provision” and expected credit loss for stage 3 non-cash loans is classified “Other Provisions” under liabilities.
(***) In accordance with TFRS 9, the expected loss provisions for the 3rd stage non-cash loans are in the “Other Provisions” column in the liabilities.

Effects on equity with TFRS 9 transition

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

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

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

Loans and Receivables

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

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

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

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SECTION FOUR
INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

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

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

Information about the consolidated shareholder equity items

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

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Current Period- Dcember 31, 2018	**Amount**	**Amount as per the regulation before 1/1/2014(*)**
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	**4,993,575**	**-**
Deductions from Additional Tier 1 Capital	**-**	**-**
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
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 1capital (AT1)	**4,993,575**	**-**
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**33,591,606**	**-**
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,010,017	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	651,526	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	2,507	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,919,756	-
Tier 2 Capital Before Deductions	**7,932,280**	**-**
Deductions From Tier 2 Capital	**-**	**-**
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	**-**	**-**
Tier 2 Capital	**7,932,280**	**-**
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	**41,523,886**	**-**

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Current Period- Dcember 31, 2018	Amount	Amount as per the regulation before 1/1/2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	**-**	**-**
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,444	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	**-**	**-**
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	41,522,442	-
Total Risk Weighted Amounts	252,126,397	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.34	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.32	-
Consolidated Capital Adequacy Ratio (%)	16.47	-
BUFFERS		
Total buffer requirement	2.644	-
Capital conservation buffer requirement (%)	1.875	-
Bank specific counter-cyclical buffer requirement (%)	0.019	-
Systemically important banks buffer requirement (%)	0.750	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.84	-
Amounts below deduction thresholds	**-**	**-**
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,126,095	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,919,756	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	**-**	**-**
Upper limit for Additional Tier 1 Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temprorary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temprorary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temprorary 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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Prior Period-December 31,2017	Amount	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	724,269	
Reserves	14,805,097	
Income recognized under equity in accordance with TAS	1,031,317	
Profit	3,881,266	
Current Period's Profit	3,932,432	
Prior Period's Profit	(51,166)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	3,913	
Minority shares	670,718	
Common Equity Tier 1 Capital Before Deductions	**23,616,580**	
Deductions from Common Equity Tier 1 Capital	**-**	
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	-	-
Leasehold Improvements on Operational Leases	186,861	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	204,370	255,462
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provison	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	**391,231**	**-**
Common Equity Tier 1 capital (CET1)	**23,225,349**	**-**
Additional Tier 1 capital: instruments	**-**	**-**
Premiums that are not included in Common Equity Tier 1 capital	-	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Prior Period- December 31,2017	Amount	Amount as per the regulation before 1/1/2014(*)
Bank's borrowing instruments and related issuance premium	-	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital -	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	**-**	**-**
Deductions from Additional Tier 1 Capital	**-**	**-**
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	51,092	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	**-**	**-**
Total Additional Tier 1capital (AT1)	**-**	**-**
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	**23,174,257**	**-**
TIER 2 CAPITAL	**-**	**-**
Bank's borrowing instruments and related issuance premium	4,079,148	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	809,717	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	6,385	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,885,493	-
Tier 2 Capital Before Deductions	**5,971,026**	**-**
Deductions From Tier 2 Capital	**-**	**-**
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
Total Deductions From Tier 2 Capital	**-**	**-**
Tier 2 Capital	**5,971,026**	**-**
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	**29,145,283**	**-**
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	**-**	**-**

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Prior Period- December 31,2017	Amount	Amount as per the regulation before 1/1/2014(*)
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	-
Other items to be defined by the BRSA (-)	1,355	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	**-**	**-**
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
TOTAL CAPITAL		
Total Capital	29,143,928	-
Total Risk Weighted Amounts	194,903,773	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.92	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	11.89	-
Consolidated Capital Adequacy Ratio (%)	14.95	-
BUFFERS		
Total buffer requirement	1.753	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.003	-
Systemically important banks buffer requirement (%)**	0.500	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.42	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation	**-**	**-**
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,244,752	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	**-**	**-**
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

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

Summary information related to capital adequacy ratio

Current Period - December 31, 2018

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFBA0043
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	651	2,632	1,202	525	4,994
Par value of instrument (in million)	3,365	2,632	1,202	525	4,994
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior Period - 31 December 2017

Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	810	1,884	860	525
Par value of instrument (in million)	2,523	1,890	860	525
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.

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

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

Reconciliation of capital items to balance sheet:

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

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

II. CONSOLIDATED CREDIT RISK

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

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

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

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

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

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

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

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

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

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

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

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

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

Information on loan types and expected loss provisions:

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Information on expected loss provisions for loans:

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

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

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

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

(*) Before reducing the credit risk, the rate of the post credit conversion is given.
(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2018 period.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

(*) Before reducing the credit risk, the rate of the post credit conversion is given.
(**) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2017 period.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

(*) OECD countries except from EU countries, USA, Canada.
(**) The assets and liabilities that can not be distributed according to a consistent base.
(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

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

(*) OECD countries except from EU countries, USA, Canada.
(**) The assets and liabilities that can not be distributed according to a consistent base.
(***) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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

Risk profile according to sectors and counterparties (*)

Current Period December 31,2018	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agricultural	**249,374**	**456**	**3**	**-**	**-**	**-**	**264,670**	**665,238**	**507,652**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,511,214**	**176,179**	**1,687,393**
Farming and raising livestock	*241,698*	*456*	*3*	-	-	-	*240,245*	*620,425*	*497,290*	-	-	-	-	-	-	-	-	*1,451,685*	*148,432*	*1,600,117*
Forestry	*4,896*	-	-	-	-	-	*512*	*35,594*	*3,648*	-	-	-	-	-	-	-	-	*44,050*	*600*	*44,650*
Fishing	*2,780*	-	-	-	-	-	*23,913*	*9,219*	*6,714*	-	-	-	-	-	-	-	-	*15,479*	*27,147*	*42,626*
Manufacturing	**5,700,700**	**278,467**	**53,671**	**-**	**-**	**-**	**52,062,977**	**4,742,052**	**6,962,581**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,504,145**	**45,296,303**	**69,800,448**
Mining	*153,347*	-	-	-	-	-	*4,760,115*	*140,472*	*177,314*	-	-	-	-	-	-	-	-	*790,226*	*4,441,022*	*5,231,248*
Production	*5,422,654*	-	*15*	-	-	-	*30,971,546*	*4,286,845*	*6,477,584*	-	-	-	-	-	-	-	-	*19,954,645*	*27,203,999*	*47,158,644*
Electric, Gas, Water	*124,699*	*278,467*	*53,656*	-	-	-	*16,331,316*	*314,735*	*307,683*	-	-	-	-	-	-	-	-	*3,759,274*	*13,651,282*	*17,410,556*
Construction	**2,861,462**	**15**	**1,952**	**-**	**-**	**-**	**18,417,107**	**3,069,622**	**7,647,690**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,786,928**	**13,210,920**	**31,997,848**
Services	**90,070,273**	**9,496,627**	**237,982**	**24,044**	**-**	**25,825,847**	**29,748,667**	**7,207,396**	**9,920,884**	**-**	**168,055**	**-**	**-**	**-**	**1,395**	**73,217**	**-**	**100,459,377**	**72,315,010**	**172,774,387**
Wholesale and retail trade	*2,775*	*447*	-	-	-	-	*200,911*	*26,856*	*1,954*	-	-	-	-	-	-	-	-	*69,389*	*163,554*	*232,943*
Hotel, Food and Beverage Services	*594,240*	*11*	*15*	-	-	-	*3,390,880*	*1,023,598*	*4,446,983*	-	-	-	-	-	-	-	-	*2,754,096*	*6,701,631*	*9,455,727*
Transportation and Telecommunication	*785,420*	*32*	*27,904*	-	-	-	*18,437,802*	*4,057,393*	*1,830,082*	-	-	-	-	-	-	-	-	*7,993,837*	*17,144,796*	*25,138,633*
Financial Institutions	*87,718,759*	*36,030*	*1*	*24,044*	-	*25,825,837*	*4,655,481*	*169,249*	*1,041,133*	-	*168,055*	-	-	-	*1,395*	*73,217*	-	*74,213,510*	*45,499,691*	*119,713,201*
Real Estate and renting services	*235,130*	-	*76,382*	-	-	*10*	*2,045,774*	*1,484,822*	*1,557,067*	-	-	-	-	-	-	-	-	*3,954,982*	*1,444,203*	*5,399,185*
Self-employment services	*197*	-	-	-	-	-	*62,951*	*21,605*	-	-	-	-	-	-	-	-	-	*10,096*	*74,657*	*84,753*
Education services	*193,038*	-	*63*	-	-	-	*382,994*	*207,240*	*527,039*	-	-	-	-	-	-	-	-	*1,208,460*	*101,914*	*1,310,374*
Health and social services	*540,714*	*9,460,107*	*133,617*	-	-	-	*571,874*	*216,633*	*516,626*	-	-	-	-	-	-	-	-	*10,255,007*	*1,184,564*	*11,439,571*
Other	**36,543,671**	**110,975**	**257,426**	**-**	**-**	**1,043,086**	**27,720,986**	**37,911,604**	**27,842,129**	**2,862,544**	**(1)**	**-**	**-**	**-**	**-**	**1,125,316**	**14,413,521**	**101,496,520**	**48,334,737**	**149,831,257**
Total	**135,425,480**	**9,886,540**	**551,034**	**24,044**	**-**	**26,868,933**	**128,214,407**	**53,595,912**	**52,880,936**	**2,862,544**	**168,054**	**-**	**-**	**-**	**1,395**	**1,198,533**	**14,413,521**	**246,758,184**	**179,333,149**	**426,091,333**

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

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

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

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

Risk profile according to sectors and counterparties (*)

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

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

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

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

Risk balances according to risk weights

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

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

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

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

Information According to Sectors and Counterparties

Major Sectors / Counterparties

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

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

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

(*) Impaired loans are composed of group three, four and five loans. ,Under the Provisions Regulation
(**) Past due loans and other receivables consist of loans and other receivables that are past due up to ninety days. , Under the Provisions Regulation
(***) Value adjustments represents general provisions of non-performing loans. , Under the Provisions Regulation

Information on Changes in Value Adjustments and Credit Provisions

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

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

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

(*) Includes effect of currency translations differences and other provisions' classifications
(**) The TL 500,000 which occurs under the General Provisions on the current period, has been cancelled as of December 31, 2017, and free provision was made in the same amount.

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Fair value of collateral held against impaired loans

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

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

(*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.
(**) Sureties obtained for impaired loans are presented in this raw to the extent that the amount does not exceed the amount of impaired loans.

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

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

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

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Non-cash loans	**Current Period - December 31, 2018**
Secured Loans:	**36,850,380**
Secured by mortgages	236,830
Secured by cash collateral	4,239,700
Guarantees issued by financial institutions	666,677
Secured by government institutions or government securities	211,207
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	31,495,966
Unsecured Loans	**29,178,617**
Total performing loans	**66,028,997**

Non-cash loans	**Prior Period - December 31, 2017**
Secured Loans:	**24,609,912**
Secured by mortgages	3,210,379
Secured by cash collateral	149,782
Guarantees issued by financial institutions	239,268
Secured by government institutions or government securities	570,608
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	20,439,875
Unsecured Loans	**26,713,790**
Total non-cash loans	**51,323,702**

Exposures subject to countercyclical capital buffer

Current Period - December 31, 2018

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

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Prior Period - December 31, 2017

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

III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

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

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

Foreign exchange risk management policy

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

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

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

	US Dollar	Euro
The Bank's foreign currency purchase rate at the balance sheet date	**5.2800**	**6.0387**
Foreign currency purchase rates for the days before balance sheet date;		
Day 1	5.2729	6.0467
Day 2	5.2868	6.0272
Day 3	5.2798	6.0140
Day 4	5.3022	6.0258
Day 5	5.2966	6.0518

	US Dollar	Euro
Last 30-days arithmetical average rate	**5.3048**	**6.0348**

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Information on currency risk

Current Period – December 31, 2018	**Euro**	**US Dollar**	**Other FC**	**Total**
Assets:				
Cash and balances with the Central Bank of the Republic of Turkey	13,797,192	7,785,969	5,441,928	27,025,089
Banks	2,185,949	3,751,636	203,041	6,140,626
Financial assets at fair value through profit or loss	-	76,799	-	76,799
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,044,784	1,100,243	-	3,145,027
Loans (1) (2)	41,922,498	46,731,831	101,595	88,755,924
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	712,041	6,891,181	-	7,603,222
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,746	10,130	-	11,876
Intangible assets	335	-	-	335
Other assets (3)	1,791,067	6,993,830	5,726	8,790,623
Total assets	**62,455,615**	**73,341,619**	**5,752,290**	**141,549,524**
Liabilities:				
Bank deposits	1,144,660	3,827,756	777,891	5,750,307
Foreign currency deposits	33,533,915	31,782,524	3,089,686	68,406,125
Interbank money market takings	761,511	1,498,661	-	2,260,172
Other funding	17,251,533	25,527,170	14,573	42,793,276
Securities issued	5,953,366	8,707,542	-	14,660,908
Miscellaneous payables	1,521,238	305,761	3,823	1,830,822
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities (4)	633,511	10,481,079	8,528	11,123,118
Total liabilities	**60,799,734**	**82,130,493**	**3,894,501**	**146,824,728**
Net 'on balance sheet' position	**1,655,881**	**(8,788,874)**	**1,857,789**	**(5,275,204)**
Net 'off-balance sheet' position	**(1,126,627)**	**10,790,769**	**(1,848,448)**	**7,815,694**
Derivative assets (5)	12,125,172	36,297,298	1,775,373	50,197,843
Derivative liabilities (5)	13,251,799	25,506,529	3,623,821	42,382,149
Non-cash loans (6)	11,249,674	16,729,404	423,623	28,402,701
Prior Period - December 31, 2017	**Avro**	**ABD Doları**	**Diğer YP**	**Toplam**
Total assets	37,222,119	65,202,842	6,871,680	109,296,641
Total liabilities	38,874,988	69,228,054	2,260,915	110,363,957
Net 'on balance sheet' position	(1,652,869)	(4,025,212)	4,610,765	(1,067,316)
Net 'off-balance sheet' position	2,191,663	4,803,952	(4,607,585)	2,388,030
Derivative assets (5)	5,174,385	18,670,060	270,591	24,115,036
Derivative liabilities (5)	2,982,722	13,866,108	4,878,176	21,727,006
Non-cash loans (6)	5,616,304	12,773,108	277,946	18,667,358

(1) Foreign currency indexed loans amounting to TL 2,798,062 (December 31, 2017: TL 4,702,183) which are presented in TL column in the balance sheet are included in the table above.
(2) Foreign currency indexed factoring receivables amounted to TL 64,047 (December 31, 2017: TL 259,923) presented in TL column in the accompanying consolidated balance sheet are included.
(3) Prepaid expenses amounting to TL 147,130 (December 31, 2017: TL 95,376) and derivative financial assets resulting from currency exchange rate rediscounts amounting to TL 65,978 (December 31, 2017: TL 13,982) are not included.
(4) Unearned revenues amounting to 276,692 TL (31 December 2017: 197,598 TL) , deferred tax liability amounting to 681 TL (31 December 2017: 60,252) currency-induced rediscounts arising from derivatives transactions amounting to 103,841 TL (31 December 2017: 34,557 TL and equities amounting to 572,000 TL (31 December: 631,816 TL) are not included.
(5) Asset purchase commitments amounting to TL 795,287 (December 31, 2017: TL 232,555) and asset sales commitments amounting to TL 1,457,340 (December 31, 2017: TL 728,635) are included.
(6) Non-cash loans are not taken into consideration in the currency position account.

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

Exposure to currency risk

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

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

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

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

(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.
(**) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

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

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

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

(*) Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.
(**) Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

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IV. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

(*) Subsidiaries, associates and tangible and intangible assets, and deferred tax are included in "non-interest bearing" column.
(**) Equity is included in "non-interest" bearing column in other liabilities line.
(***) Non-performing loans and net offsets of stage 3 expected loss provisions are shown in the "Non-Interest Bearing" column.

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

(*) Subsidiaries, associates and tangible and intangible assets are stated in "non-interest bearing" column.
(**) Equity is included in "non-interest bearing" column in other liabilities line.

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

Current Period – December 31, 2018	Euro	US Dollar	Yen	TL
	%	%	%	%
Assets:				
Cash and balance with CBRT	-	2.00	-	13.00
Banks	1.57	2.70	-	23.75
Financial assets at fair value through profit/loss	-	11.82	-	19.55
Interbank money market placements	-	-	-	24.28
Financial assets at fair value through other comprehensive income	1.90	6.69	-	16.41
Loans	5.51	8.04	-	21.07
Financial assets measured at amortized cost	5.05	6.62	-	16.49
Liabilities:				
Bank deposits	1.75	4.03	-	23.50
Other deposits	2.23	4.45	-	19.90
Interbank money market takings	1.00	3.43	-	23.68
Miscellaneous payables	-	-	-	-
Securities issued	2.93	5.64	-	19.63
Funds borrowed	1.94	4.67	-	17.77

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

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

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V. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

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

(*) The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.
(**) The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

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

(*) The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.
(**) The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

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

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

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

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

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

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

Explanations on Equity Shares Risk Arising from Banking Book

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

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

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VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

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

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

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

Liquidity Coverage Ratio

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

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

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

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

Liquidity Coverage Ratio

Prior Period		**Total unweighted value ***		**Total weighted value***	
		TL+FC	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			33,505,586	25,644,408
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	70,335,436	23,781,944	5,969,007	2,378,195
3	Stable deposits	21,290,720	-	1,064,536	-
4	Less stable deposits	49,044,716	23,781,944	4,904,471	2,378,195
5	Unsecured wholesale funding, of which:	74,578,648	24,655,317	33,317,354	13,190,345
6	Operational deposits	42,220,678	9,265,950	10,555,169	2,316,487
7	Non-operational deposits	21,448,893	10,756,239	12,468,677	6,856,026
8	Unsecured debt	10,909,077	4,633,128	10,293,508	4,017,832
9	Secured wholesale funding			-	-
10	Additional requirements of which:	8,543,708	7,227,802	8,543,708	7,227,802
11	Outflows related to derivative exposures and other collateral requirements	8,543,708	7,227,802	8,543,708	7,227,802
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	20,138,527	19,648,287	1,006,926	982,414
15	Other contingent funding obligations	58,701,959	14,361,983	6,142,479	1,249,107
16	**TOTAL CASH OUTFLOWS**			**54,979,474**	**25,027,863**
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	20,616,630	9,611,013	15,834,400	8,660,526
19	Other cash inflows	5,979,988	5,657,958	5,979,988	5,657,958
20	**TOTAL CASH INFLOWS**	**26,596,618**	**15,268,971**	**21,814,388**	**14,318,484**
				Upper Limit Applied Values	
21	**TOTAL HQLA**			**33,505,586**	**25,644,408**
22	**TOTAL NET CASH OUTFLOWS**			**33,165,086**	**10,709,379**
23	**LIQUIDITY COVERAGE RATIO (%)**			**101.92**	**239.48**

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

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

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

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period – December 31, 2018	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and over**	**Undistributed (*)**	**Total**
Assets:								
Cash and balance with CBRT	29,925,009	2,566,448	-	-	-	-	-	32,491,457
Banks	1,964,818	2,974,512	1,164,508	307,355	292,915	-	-	6,704,108
Financial assets at fair value through profit/loss	34,101	26,370	33,450	17,862	29,464	12,097	71,161	224,505
Interbank money market placements	-	6,839	-	-	-	-	-	6,839
Financial assets at fair value through other comprehensive	-	131,504	615,583	1,836,535	5,044,188	3,241,173	3,451	10,872,434
Loans	-	21,932,592	7,133,228	41,970,263	94,205,987	60,277,657	3,130,474	228,650,201
Financial assets measured at amortized cost	-	84,591	1,574,115	1,991,249	19,685,216	16,645,339	-	39,980,510
Other assets	15,779	1,719,959	196,431	752,816	3,725,971	496,085	18,801,365	25,708,406
Total assets	**31,939,707**	**29,442,815**	**10,717,315**	**46,876,080**	**122,983,741**	**80,672,351**	**22,006,451**	**344,638,460**
Liabilities:								
Bank deposits	397,156	5,059,670	1,394,780	212,887	-	-	-	7,064,493
Other deposits	36,315,589	95,054,703	29,655,304	12,437,963	1,919,636	28,021	-	175,411,216
Funds borrowed	-	2,481,148	3,917,309	17,846,735	14,838,188	6,349,477	-	45,432,857
Interbank money market takings	-	26,500,499	674,788	-	1,656,338	292,247	-	29,123,872
Securities issued	-	2,036,781	1,627,258	3,617,961	15,490,491	-	-	22,772,491
Miscellaneous payables	3,577	26,676	155,255	90,160	2,235	-	7,750,259	8,028,162
Other liabilities	97,624	1,931,122	1,399,641	1,591,017	5,728,534	4,768,038	41,289,393	56,805,369
Total liabilities	**36,813,946**	**133,090,599**	**38,824,335**	**35,796,723**	**39,635,422**	**11,437,783**	**49,039,652**	**344,638,460**
Liquidity gap	**(4,874,239)**	**(103,647,784)**	**(28,107,020)**	**11,079,357**	**83,348,319**	**69,234,568**	**(27,033,201)**	**-**
Net Off Balance Sheet Position	**-**	**(18,521)**	**106,118**	**396,112**	**2,851,166**	**407,765**	**-**	**3,742,640**
Receivables from Derivative Financial Instruments	-	10,693,888	1,692,537	4,265,904	24,324,945	16,398,541	-	57,375,815
Payables from Derivative Financial Instruments	-	10,712,409	1,586,419	3,869,792	21,473,779	15,990,776	-	53,633,175
Non-cash Loans	6,553,025	1,702,845	37,419,988	11,713,980	7,067,292	1,137,888	433,979	66,028,997

Prior Period – December 31, 2017	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and over**	**Undistributed (*)**	**Total**
Total assets	29,970,756	30,113,078	7,703,109	36,938,146	106,325,658	57,729,995	12,078,264	280,859,006
Total liabilities	30,123,512	120,627,784	30,938,749	31,902,986	23,974,261	11,467,155	31,824,559	280,859,006
Liquidity gap	**(152,756)**	**(90,514,706)**	**(23,235,640)**	**5,035,160**	**82,351,397**	**46,262,840**	**(19,746,295)**	**-**
Net Off Balance Sheet Position	**-**	**94,163**	**5,183**	**113,226**	**1,271,821**	**974,446**	**-**	**2,458,839**
Receivables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
Payables from Derivative Financial Instruments	-	4,099,721	3,231,490	2,782,671	12,718,703	6,613,427	-	29,446,012
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848	242,136	51,323,702

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationery, pre-paid expenses and non-performing loans and non-performing loans net-off related provision for expected loss of stage 3 are shown in this column.

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

VII. CONSOLIDATED LEVERAGE RATIO

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

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

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

	Current Period – December 31, 2018
Total asset amount in the consolidated financial statements prepared as per TAS [1]	318,522,522
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks [1]	152,878
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	(4,433,639)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	25,122,669
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	54,283,204
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	(125,285,736)
Total risk amount	**393,163,314**

	Prior Period – December 31, 2017
Total asset amount in the consolidated financial statements prepared as per TAS [1]	279,530,397
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks [1]	(1,328,609)
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	(2,434,636)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	7,733,292
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	18,349,982
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts [2]	(98,128,516)
Total risk amount	**316,732,130**

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

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Leverage ratio common disclosure template

	On-balance sheet exposures	Current Period – December 31, 2018 (*)
1.	On-balance sheet items (excluding derivatives and SFTs; including collateral)	341,611,734
2.	Assets deducted in determining Basel III Tier 1 capital	(498,291)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs)	341,113,443
	Derivative exposures	-
4.	Replacement cost	4,856,647
5.	Add-on amount	948,387
6.	Total derivative exposures	5,805,034
	Securities financing transaction exposures	-
7.	Gross SFT assets (with no recognition of accounting netting)	4,467,510
8.	Agent transaction exposures	-
9.	Total securities financing transaction exposures	4,467,510
	Other off-balance sheet exposures	-
10.	Off-balance sheet exposures with gross nominal amount	133,891,351
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	(46,071,519)
12.	Total off-balance sheet exposures	87,819,832
	Capital and total exposures	-
13.	Tier 1 capital	32,931,165
14.	Total exposures	439,205,819
	Leverage ratio	-
15.	Leverage ratio	7.50

	On-balance sheet exposures	Prior Period– December 31, 2017 (*)
1.	On-balance sheet items (excluding derivatives and SFTs; including collateral)	271,106,074
2.	Assets deducted in determining Basel III Tier 1 capital	(416,652)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs)	270,689,422
	Derivative exposures	
4.	Replacement cost	2,364,565
5.	Add-on amount	625,658
6.	Total derivative exposures	2,990,223
	Securities financing transaction exposures	
7.	Gross SFT assets (with no recognition of accounting netting)	657,737
8.	Agent transaction exposures	
9.	Total securities financing transaction exposures	657,737
	Other off-balance sheet exposures	
10.	Off-balance sheet exposures with gross nominal amount	100,555,644
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	(18,084,578)
12.	Total off-balance sheet exposures	82,471,066
	Capital and total exposures	
13.	Tier 1 capital	22,786,340
14.	Total exposures	356,808,448
	Leverage ratio	
15.	Leverage ratio	6.39

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

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VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Current Period – December 31, 2018	Carrying Value	Fair Value
Financial Assets:		
Receivables from Interbank Money Markets	6,839	6,839
Banks	6,704,108	6,704,108
Financial Assets at Fair Value through Other Comprehensive Income	10,872,434	10,872,434
Assets Measured at Amortised Cost	39,980,510	36,328,383
Loans	228,650,201	225,023,936
Financial Liabilities:		
Bank Deposits	7,064,493	7,064,493
Other Deposits	175,411,216	175,137,004
Funds Borrowed	45,432,857	45,322,174
Marketable Securities	22,772,491	22,685,896
Subordinated Loans	13,022,023	13,103,514

Prior Period – December 31, 2017	Carrying Value	Fair Value
Financial Assets:		
Receivables from Interbank Money Markets	1,659,062	1,659,062
Banks	13,323,799	13,323,799
Available-for-Sale Financial Assets	14,570,384	14,570,384
Held-to-Maturity Investments	16,766,071	16,466,094
Loans	186,548,784	188,124,330
Financial Leasing Receivables	1,880,200	1,880,200
Factoring Receivables	2,192,302	2,192,302
Financial Liabilities:		
Bank Deposits	9,779,391	9,779,391
Other Deposits	148,208,475	148,014,699
Funds Borrowed	31,387,788	31,362,999
Securities Issued	19,870,759	19,672,545
Subordinated Loans	5,917,137	5,837,524
Miscellaneous Payables	7,333,030	7,333,030

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

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

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

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

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

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

(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

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Prior Period December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose:	13,048	2,063,175	-	2,076,223
Debt securities	6,729	116,924	-	123,653
Derivative financial assets held for trading purpose	-	1,946,251	-	1,946,251
Investment funds	5,380	-	-	5,380
Equity securities	939	-	-	939
Available-for-sale financial assets	11,554,994	3,015,375	15	14,570,384
Equity securities	-	43,355	15	43,370
Debt securities	11,554,994	2,972,020	-	14,527,014
Investments in associates and subsidiaries	310,918	-	291,653 (*)	602,571
Total Financial Assets	**11,878,960**	**5,078,550**	**291,668**	**17,249,178**
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(1,180,542)	-	(1,180,542)
Total Financial Liabilities	**-**	**(1,180,542)**	**-**	**(1,180,542)**

(*) This amount consist of fair value of the affiliates and subsidiaries determined by independent valuation companies.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended December 31, 2018 is as follows:

Current Period – December 31, 2018	**Level 3**
Balance at the beginning of the year	291,668
Total gains or losses for the year recognized in profit or loss	-
Total gains or losses for the year recognized under equity	500,040
Balance at the end of the year	**791,708**

Prior Period – December 31, 2017	**Level 3**
Balance at the beginning of the year	298,720
Total gains or losses for the year recognized in profit or loss	-
Total gains or losses for the year recognized under equity	(7,052)
Balance at the end of the year	**291,668**

IX. TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST

The Parent Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Group is not involved in trust activities.

X. CONSOLIDATED SEGMENT REPORTING

The Group operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, overdraft facilities, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Group provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently.

Additionally, The Group provides "small business" banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for The Parent Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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Major financial statement items according to business lines:

Current Period – December 31, 2018	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	*7,140,628*	*17,997,327*	*9,795,120*	*24,168*	*34,957,243*
Interest income from loans	*7,140,628*	*17,797,268*	*2,964,627*	-	*27,902,523*
Interest income from reserve deposits	-	-	*389,604*	-	*389,604*
Interest income from securities portfolio	-	-	*6,090,312*	-	*6,090,312*
Interest income from banks	-	-	*329,852*	-	*329,852*
Interest income from money market transactions	-	-	*20,725*	-	*20,725*
Finance lease income	-	*200,059*	-	-	*200,059*
Other interest income	-	-	-	*24,168*	*24,168*
Interest Expense	8,341,245	7,055,595	7,863,112	269,785	23,529,737
Interest expense on deposits	*8,341,245*	*6,637,420*	*558,753*	-	*15,537,418*
Interest expense on funds borrowed	-	*418,175*	*1,181,599*	-	*1,599,774*
Interest expense on money market transactions	-	-	*3,557,193*	-	*3,557,193*
Interest expense on securities issued	-	-	*2,094,967*	-	*2,094,967*
Other interest expenses	-	-	*470,600*	*269,785*	*740,385*
Net Interest Income	(1,200,617)	10,941,732	1,932,008	(245,617)	11,427,506
Net Fees and Commissions Income	737,963	1,179,605	233,480	-	2,151,048
Trading Income/ Losses (Net)	-	-	822,830	-	822,830
Dividend Income	-	-	50,011	-	50,011
Other Income [*]	-	-	-	3,945,443	3,945,443
Provision For Losses on Loans and Other Receivables	687,608	4,338,334	17,327	-	5,043,269
Other Expenses [**]	-	-	-	7,720,372	7,720,372
Income/Loss From Investments Under Equity Accounting	-	-	56,576	-	56,576
Profit Before Taxes	**(1,150,262)**	**7,783,003**	**3,077,578**	**(4,020,546)**	**5,689,773**
Provision for taxes					(1,085,295)
Net Profit/ Loss					**4,604,478**
SEGMENT ASSETS					
Securities Portfolio	-	-	51,077,449	-	51,077,449
Derivative Financial Assets Held for Trading Purpose	-	-	4,413,383	-	4,413,383
Banks and Receivables From Money Markets	-	-	6,710,947	-	6,710,947
Investments in Associates and Subsidiaries	-	-	1,125,289	-	1,125,289
Loans and Receivables	51,672,411	129,189,702	47,788,088	-	228,650,201
Other Assets	-	-	36,072,874	16,588,317	52,661,191
TOTAL ASSETS	**51,672,411**	**129,189,702**	**147,188,030**	**16,588,317**	**344,638,460**
SEGMENT LIABILITIES					
Deposits	92,194,464	83,216,752	7,064,493	-	182,475,709
Derivative Financial Liabilities Held for Trading Purpose	-	-	2,552,248	-	2,552,248
Interbank Money Market Takings	-	-	29,123,872	-	29,123,872
Funds Borrowed	-	3,089,366	42,343,491	-	45,432,857
Securities Issued	-	-	22,772,491	-	22,772,491
Other Liabilities	-	903	13,025,077	13,432,010	26,457,990
Provisions and Tax Liabilities	-	-	-	6,717,540	6,717,540
Equity	-	-	-	29,105,753	29,105,753
TOTAL LIABILITIES AND EQUITY	**92,194,464**	**86,307,021**	**116,881,672**	**49,255,303**	**344,638,460**

[*] TL 1,346,870 amount of 3,945,443 shown in other income line consists of earnings from insurance premiums, TL 938,450 rejecting dividend reserves from previous periods, TL801,200 from the reversal of loan reserves for the first and second stage, TL 210,465 of income from sale of Bank's assets, TL 36,269 from communication income, TL 192,039 from leasing income, TL 165,143 individual pension activities and remaining TL 255,007 of other income.
[**] TL 2,452,360 amount of 7,720,372 shown in other expense line consists of personnel expenses, TL 3,140,934 of other operating expenses, TL 209,555 of depraciation expenses, TL 276,496 of dividend reserve expenses to be given to personnel, TL 197,864 of Saving Deposit Insurance Fund (SDIF) expenses, TL 369,491 of taxes, duties, charges and funds expenses, TL 13,107 of pension compensation payments, TL 96,101 of cumulative/non-cumulative commission expenses, TL 240,480 of production commission expenses and remaining 723,984 of other expenses.

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Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	*5,627,234*	*11,312,319*	*5,086,543*	*19,083*	*22,045,179*
Interest income from loans	*5,627,234*	*10,984,327*	*1,704,015*	-	*18,315,576*
Interest income from reserve deposits	-	-	*221,541*	-	*221,541*
Interest income from securities portfolio	-	-	*2,914,538*	-	*2,914,538*
Interest income from banks	-	-	*210,696*	-	*210,696*
Interest income from money market transactions	-	-	*35,753*	-	*35,753*
Finance lease income	-	*138,960*	-	-	*138,960*
Other interest income	-	*189,032*	-	*19,083*	*208,115*
Interest Expense	4,372,191	4,762,843	3,866,395	71,876	13,073,305
Interest expense on deposits	*4,372,191*	*4,578,537*	*249,892*	-	*9,200,620*
Interest expense on funds borrowed	-	*184,306*	*656,766*	-	*841,072*
Interest expense on money market transactions	-	-	*1,553,389*	-	*1,553,389*
Interest expense on securities issued	-	-	*1,059,739*	-	*1,059,739*
Other interest expenses	-	-	*346,609*	*71,876*	*418,485*
Net Interest Income	1,255,043	6,549,476	1,220,148	(52,793)	8,971,874
Net Fees and Commissions Income	497,841	653,288	84,421	-	1,235,550
Trading Income/ Losses (Net)	-	-	194,447	-	194,447
Dividend Income	-	-	47,481	-	47,481
Other Income (*)	-	-	-	3,085,245	3,085,245
Provision For Losses on Loans and Other Receivables	484,334	1,827,038	30,979	500,207	2,842,558
Other Expenses (**)	-	-	-	5,734,147	5,734,147
Income/Loss From Investments Under Equity Accounting	-	-	51,481	-	51,481
Profit Before Taxes	**1,268,550**	**5,375,726**	**1,566,999**	**(3,201,902)**	**5,009,373**
Provision for taxes					(992,027)
Net Profit/ Loss					**4,017,346**
SEGMENT ASSETS					
Securities Portfolio	-	-	31,466,427	-	31,466,427
Derivative Financial Assets Held for Trading Purpose	-	-	1,946,251	-	1,946,251
Banks and Receivables From Money Markets	-	-	14,982,861	-	14,982,861
Investments in Associates and Subsidiaries	-	-	664,101	-	664,101
Loans and Receivables	48,230,054	107,804,983	30,513,747	-	186,548,784
Other Assets	-	4,072,502	29,037,351	12,140,729	45,250,582
TOTAL ASSETS	**48,230,054**	**111,877,485**	**108,610,738**	**12,140,729**	**280,859,006**
SEGMENT LIABILITIES					
Deposits	68,788,960	79,419,515	9,779,391	-	157,987,866
Derivative Financial Liabilities Held for Trading Purpose	-	-	1,180,542	-	1,180,542
Interbank Money Market Takings	-	-	22,689,075	-	22,689,075
Funds Borrowed	-	571,707	30,816,081	-	31,387,788
Securities Issued	-	-	19,870,759	-	19,870,759
Other Liabilities	-	437	6,683,061	10,547,605	17,231,103
Provisions and Tax Liabilities	-	-	-	6,888,908	6,888,908
Equity	-	-	-	23,622,965	23,622,965
TOTAL LIABILITIES AND EQUITY	**68,788,960**	**79,991,659**	**91,018,909**	**41,059,478**	**280,859,006**

(*) TL 937,669 amount of TL 3,085,245 of income from reversal of the specific provisions for loans from prior periods, TL 1,207,630 of acquired insurance premiums, TL 149,607 of income from the sale of Group's assets, TL 43,602 of communications income, TL 102,575 of income from private pension activities, TL 770 of leasing income and the remaining TL 643,392 of other operating income.

(**) TL 1,979,798 amount of TL 5,734,147 shown in other expense line consists of personnel expenses, TL 2,413,794 of other operating expenses, TL 180,430 of depreciation expense, TL 168,500 of dividend reserve expenses to be given to personnel, TL 168,783 of Saving Deposits Insurance Fund (SDIF) expenses, 163,010 of taxes, duties, charges and fund expenses, TL 9,807 of pension compensation payments, TL 91,727 of cumulative/non-cumulative commission expenses, TL 251,574 of production commission expenses and remaining 306,724 of other expenses.

XI. INFORMATION ON RISK MANAGEMENT

The footnotes and related explanations published in the Official Gazette No. 29511 dated October 23, 2015 and prepared in accordance with the "Explanations Communique on Explanations to the Public Regarding Banks Risk Management" entered into force as of March 31, 2016 are given in this section. Since the Group uses a standardized approach to capital adequacy calculations, there is no disclosure within the scope of the internal rating-based approach.

1. Information on Risk Management and Overview of Risk Weighted Amounts

Risk Management Strategy

The Group manages assets and values which are entrusted to it effectively and efficiently in order to increase the constant contribution to customers, shareholders and the society. The Group adopted the forward looking risk based approach in all activities undertaken by creating assets in a high quality and managing obligations well. Generating the systems and processes of risk management and observation of its effectiveness are structured in the responsibility of Board of Directors. Current risk profile of the bank defines the all the internal and external important risks arises from the operating environment, the regulatory or economic environment. These risks defined on the console and non-console level are managed with policies and implementation procedures approved by the Bank's Board of Directors. To achieve this, Risk Management Department working under the Audit Committee, Inspection Board Department and Internal Control Department are working in coordination with all the departments at the same time.

Risk management strategy of the Group is basically to avoid legal risks and risks which are unlikely to occur but have a huge impact, to take measures to minimize the risks (to reduce risks) that may arise due to the nature of banking activities, to purchase protection, insurance or techniques such as credit derivatives in order to transfer risks to the third parties (transfer of risk) and the acceptance of risks that are unlikely to occur and have small impact.

Within the scope of the general principles and principles observed by The Group in the context of risk management, the internal capital adequacy assessment process (İSEDES) is established in parallel with the budgeting process to determine the internal capital targets consistent with the risk profile and the activity environment and the effects of scenario outcomes on the Group projections is evaluated.

As a part of risk appetite structure of the Parent Bank, risk limits are set and over-limit exemptions and early warning levels are observed/followed. The limits are reviewed regularly according to the developments in the market condition, the Parent Bank strategy and risk appetite and updated if necessary. Apart from the limits, early warning levels are determined. In case of approaching or exceeding the limits, the appropriate units are taking the related actions.

The risks may arise from the new products and services and effects of these risks are analyzed. For the quantification of quantifiable risks and the qualitative evaluation of non-quantifiable. Effective and applicable systems which are compatible with the Parent Bank's product range and fields of activity are developed.

In response to the sudden and unexpected changes in the macroeconomic indicators and the Group's specific circumstances, the risks the can be exposed to such as income/expenditure effect, capital loss, economic value change , liquidity adequacy are presented by various reports and stress tests conducted daily ,weekly, monthly and annually. These reports and stress tests play an active role in the process of making decisions in the context of risk based approach. Risks subject to stress tests contains all the risks related to the Group's risk group (on the consolidated balance sheet – off the consolidated balance sheet).These risks are subject to stress test applications independently , and can be subject to stress test applications in an integrated way taking into account interactions between them.

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Risks which are subject to stress test applications can be evaluated on portfolio and activities basis, consolidated and non – consolidated basis, at specific and general levels. Specific stress test applications are performed with sensitivity and scenario analysis specific to particular portfolio and activity. General stress test applications are established to ensure that Group's risks are seen in an integrated perspective. Relations between risks are taken into account by the correlation effect and relations between portfolios are considered with diversification effect. Furthermore in addition to stress tests, reverse stress tests that enable us to evaluate which risk factors and which risk concentrations causes significant loss indicators designed from the outset are conducted.

The Risk Management Department uses the methods appropriate to national legislation and international practices to evaluate and monitor the developments in risks, to take necessary measures, to establish risk limits, to stay within the specified limits, and to perform the necessary analysis, measurement and reporting.

The development of risk culture in parallel with the changes in the economic conjuncture and risk perception is an important element of the Bank and aims to ensure risk awareness and sensitivity in the actions to be taken. In this respect, training programs, risk measurements and reports provided to the Board of Directors, Senior Management and risk reporting to the committees, the Bank's risk appetite framework and internal capital adequacy assessment process make a significant contribution to the dissemination of risk culture.

Risk weighted amounts

	Current Period – December 31, 2018	Risk Weighted Amount	Minimum Capital Requirements
1	**Credit Risk (excluding counterparty credit risk) (*)**	**228,487,742**	**18,279,019**
2	Standardised approach	228,487,742	18,279,019
3	İnternal rating based approach	-	-
4	**Counterparty Credit Risk**	**5,091,337**	**407,307**
5	Standardised approach for counterparty credit risk	5,091,337	407,307
6	Internal model method	-	-
7	**Equity position in banking book under basic risk weighting or internal rating based**	**-**	**-**
8	**Equity investments in funds – look-through approach**	**1,395**	**112**
9	**Equity investments in funds – mandate-based approach**	**-**	**-**
10	**Equity investments in funds – 1250% weighted risk approach**	**-**	**-**
11	**Settlement Risk**	**-**	**-**
12	**Securitization positions in banking accounts**	**-**	**-**
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	**Market risk**	**1,409,588**	**112,767**
17	Standardised approach	1,409,588	112,767
18	Internal model approaches	-	-
19	**Operational Risk**	**17,136,335**	**1,370,907**
20	Basic Indicator Approach	17,136,335	1,370,907
21	Standardised approach	-	-
22	Advanced measurement approach	-	-
23	**The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)**	**-**	**-**
24	**Floor adjustment**	**-**	**-**
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**252,126,397**	**20,170,112**

(*) Except for the amount of the discount threshold under the equity

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	Prior Period – December 31, 2017	**Risk Weighted Amount**	**Minimum Capital Requirements**
1	**Credit Risk (excluding counterparty credit risk) (*)**	**176,588,946**	**14,127,116**
2	Standardised approach	176,588,946	14,127,116
3	İnternal rating based approach	-	-
4	**Counterparty Credit Risk**	**2,834,489**	**226,759**
5	Standardised approach for counterparty credit risk	2,834,489	226,759
6	Internal model method	-	-
7	**Equity position in banking book under basic risk weighting or internal rating based**	**-**	**-**
8	**Equity investments in funds – look-through approach**	**263**	**21**
9	**Equity investments in funds – mandate-based approach**	**-**	**-**
10	**Equity investments in funds – 1250% weighted risk approach**	**-**	**-**
11	**Settlement Risk**	**-**	**-**
12	**Securitization positions in banking accounts**	**-**	**-**
13	IRB ratings-based approach	-	-
14	IRB Supervisory formula approach	-	-
15	SA/simplified supervisory formula approach	-	-
16	**Market risk**	**799,860**	**63,989**
17	Standardised approach	799,860	63,989
18	Internal model approaches	-	-
19	**Operational Risk**	**14,523,725**	**1,161,898**
20	Basic Indicator Approach	14,523,725	1,161,898
21	Standardised approach	-	-
22	Advanced measurement approach	-	-
23	**The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)**	**156,490**	**12,519**
24	**Floor adjustment**	**-**	**-**
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**194,903,773**	**15,592,302**

(*) Except for the amount of the discount threshold under the equity.

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2. Linkages between Financial statements and Regulatory Exposures

a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Current Period – December 31, 2018		Carrying values of items (according to TAS)				
	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	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances at central bank	32,491,457	32,491,457	-	-	-	-
Banks	6,704,108	6,704,108	-	-	-	-
Receivables from Money Markets	6,839	-	-	-	-	-
Financial assets at fair value through profit or loss	224,505	217,884	-	-	6,621	-
Financial assets at fair value through other comprehensive income	10,872,434	10,732,964	2,496,293	-	139,470	-
Financial assets measured at amortised cost	39,980,510	39,980,510	29,029,809	-	-	-
Derivative financial assets	4,413,383	-	4,413,383	-	148,414	-
Non-performing financial assets	-	-	-	-	-	-
Allowance for expected credit losses (-)	36,238	-	-	-	-	36,238
Loans (Net)	228,650,201	228,648,757	-	-	-	1,444
Non-Currents Assets Or Dısposal Groups "Held For Sale" And "From Dıscontınued Operatıons (Net)	1,568,113	1,568,113	-	-	-	-
Investments in associates (Net)	805,409	805,409	-	-	-	-
Leasing receivables	319,880	319,880	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Tangıble Assets (Net)	2,844,506	2,625,802	-	-	-	218,704
Intangıble Assets And Goodwıll (Net)	286,511	-	-	-	-	286,511
Investment properties (net)	607,400	-	-	-	-	-
Currents Tax Assets (Net)	2	-	-	-	-	-
Deferred Tax Assets	188,968	188,968	-	-	-	-
Other assets	14,710,472	14,710,472	-	-	-	-
Total assets	**344,638,460**	**338,994,324**	**35,939,485**	**-**	**294,505**	**542,897**
Liabilities						
Deposits	182,475,709	-	-	-	-	182,475,709
Loans Received	45,432,857	-	-	-	-	45,432,857
Money Market Funds	29,123,872	-	28,539,924	-	-	583,948
Marketable Securities (Net)	22,772,491	-	-	-	-	22,772,491
Funds	3,054	-	-	-	-	3,054
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	2,552,248	-	2,552,248	-	148,413	-
Factoring Payables	903	-	-	-	-	903
Lease Payables	-	-	-	-	-	-
Provisions	5,828,655	-	-	-	-	5,828,655
Current Tax Liabilities	857,164	-	-	-	-	857,164
Deferred Tax Assets	31,721	-	-	-	-	31,721
Liabilities Related to Non-Current Assets "Held for Sale" and "Discontinued Operations" (Net)	1,546	-	-	-	-	1,546
Subordinated debts	13,022,023	-	-	-	-	13,022,023
Other Liabilities	13,430,464	-	-	-	-	13,430,464
Shareholders' Equity	29,105,753	-	-	-	-	29,105,753
Total liabilities	**344,638,460**	**-**	**31,092,172**	**-**	**148,413**	**313,546,288**

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Prior Period – December 31, 2017			Carrying values of items (according to TAS)			
	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	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances at central bank	28,656,246	28,656,246	-	-	-	-
Financial assets held for trading	2,076,223	-	2,076,223	-	49,126	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	13,323,799	13,323,799	-	-	-	-
Receivables from money markets	1,659,062	1,659,062	-	-	-	-
Available for sale financial assets (net)	14,570,384	14,143,749	2,019,945	-	426,635	-
Loans and receivables	186,548,784	186,547,429	-	-	-	1,355
Factoring receivables	2,192,302	-	-	-	-	-
Held to maturity investments (net)	16,766,071	16,766,071	7,767,018	-	-	-
Investments in associates (net)	384,454	384,454	-	-	-	-
Investments in subsidiaries (net)	279,647	279,647	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	1,880,200	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	1,731,409	1,544,548	-	-	-	186,861
Intangible assets (net)	255,462	-	-	-	-	255,462
Investment properties (net)	423,498	-	-	-	-	-
Tax assets	63,612	63,612	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	1,312,728	1,312,728	-	-	-	-
Other assets	8,735,125	8,735,125	-	-	-	-
Total assets	**280,859,006**	**273,416,470**	**11,863,186**	**-**	**475,761**	**443,678**
Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Deposits	157,987,866	-	-	-	-	157,987,866
Derivative financial liabilities held for trading	1,180,542	-	1,180,542	-	49,131	1,180,542
Loans	31,387,788	-	-	-	-	31,387,788
Debt to money markets	22,689,075	-	9,157,688	-	-	13,531,387
Debt securities in issue	19,870,759	-	-	-	-	-
Funds	3,206	-	-	-	-	3,206
Various debts	7,333,030	-	-	-	-	7,333,030
Other liabilities	3,977,293	-	-	-	-	3,977,293
Factoring debts	437	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	6,127,041	-	-	-	-	6,127,041
Tax liability	761,867	-	-	-	-	761,867
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	5,917,137	-	-	-	-	5,917,137
Equity	23,622,965	-	-	-	-	23,622,965
Total liabilities	**280,859,006**	**-**	**10,338,230**	**-**	**49,131**	**251,830,122**

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b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period – December 31, 2018	Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	**Asset carrying value amount under scope of regulatory consolidation**	**344,095,563**	**338,994,324**	**-**	**35,939,485**	**294,505**
2	Liabilities carrying value amount under regulatory scope of consolidation	31,092,172	-	-	31,092,172	(148,413)
3	Total net amount under regulatory scope of consolidation	313,003,391	338,994,324	-	4,847,313	146,092
4	Off-balance sheet amounts	-	-	-	5,228,916	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	1,414,385	-
10	**Exposure amounts considered for regulatory**	**313,003,391**	**338,994,324**	**-**	**6,643,301**	**146,092**

	Prior Period - December 31, 2017	Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	**Asset carrying value amount under scope of regulatory consolidation**	**280,415,328**	**273,416,470**	**-**	**11,863,186**	**475,761**
2	Liabilities carrying value amount under regulatory scope of consolidation	29,028,884	-	-	10,338,230	(49,131)
3	Total net amount under regulatory scope of consolidation	251,386,444	273,416,470	-	1,524,956	426,630
4	Off-balance sheet amounts	133,361,088	31,380,550	-	2,750,005	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	(4,242,235)	-	-	-
9	Differences due to risk reduction	-	-	-	569,987	-
10	**Exposure amounts considered for regulatory**	**384,747,532**	**300,554,785**	**-**	**3,319,992**	**426,630**

c) Explanations of differences between accounting and regulatory exposure amounts

There is no significant difference between the amounts assessed pursuant to TAS and the risk amounts used within the scope of capital adequacy reported on the financial statements.

3. Credit Risk Explanations

a) General Information on Credit Risk

If the counterparty does not partially or completely fulfill its obligations in accordance with contract, the credit risk is exposed. The Group's definition of credit risk contains the credit risk in all products and activities based on the credit definition of law of banking.

The Parent Bank's branches, regional directorates, general directorate crediting units, deputy general manager responsible for credits, general manager, credit committee and board of directors determine the credit limits for counterparties within the framework of lending authority limits and provide credits within these limits in accordance with the articles 51 and 54 of banking law and in compliance with legal legislation in order to restrict the credit risk in the crediting operations.

Crediting activities are one of the basic and extensive fields of activities. The Parent Bank can provide all kind of crediting activities with its experience, competitiveness, variety of product and services. Parallel to this, it has a wide range of organization, regulation (legislation/documentation) and system infrastructure for the marketing, allocation and monitoring process of credit.

While establishing infrastructure, it is also supervised that all activities can be performed on a risk basis, in addition to providing the highest level of efficiency in the processes of the credits.

Credit management is not the single function within the Parent Bank and it is not restricted to the only one unit and responsibility area. Credit management is a process carried out together with different units and employees with different roles, authorities and responsibilities.

Credit facility functions are mainly carried out by the consecration units and in addition to the transactions done by the business units announced by the head of the Credit Management Department, relevant policy, strategy and framework documents are constituted by taking account of the international implementations and national legistation in order to ensure the effective and healthy management of the credit risk. The basic principles and principles of the policy, strategy and framework documents and the identification, measurement, monitoring and reporting of risk within the scope of risk management are determined. In the management of the credit risk, it is essential to consider all risk categories that may lead to capital requirements. In this subjected process, allocation units, evaluation and rating units, and risk management units are playing an active role.

The Risk Management Department continues its activities to assess, analyze and report on the credit risk in line with the policy document and measurement results and to determine the effect of the Group on the capital requirement.

Within the results of the studies made in this context, it is possible to establish better portfolios with lower potential asset classes (credit types and/or counterparties) by sharing them with the Parent Bank's top management and the units managing the loan portfolios, trying to be a guide in these matters.

Sectoral, geographical and individual concentration limits and country risk limits have been determined in order to identify the risks to be created by credit concentration and to establish a balanced credit portfolio, these limits are regularly reviewed and updated considering the Parent Bank's credit policy, risk apettite and economic changes.

The eventual aim of the Parent Bank is using credit risk inherent management methods in accordance with Basel III and best international implementations. In this context, studies of IRB (Internal Ratings Based Approach) are carried out. Within the scope of IRB studies, politics and procedures are updated as risk-focused. In addition, the work involves the correctness, precision and consistency of the models, which are used by the Parent Bank, and the ratios of them in determining these criteria, measuring the general coherence of the other parts of the models, and basically, the work is continued in terms of qualitative and quantitative validation (verification) of the Parent Bank's inner credit rating systems.

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Credit Quality of Assets

Current Period - December 31, 2018		Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
		Defaulted Exposures	Non-Defaulted Exposures		
1	Loans	11,129,308	228,750,479	11,229,586	228,650,201
2	Debt Securities	-	51,057,422	166,866	50,890,556
3	Off-balance sheet exposure	258,210	102,248,214	26,739	102,479,685
4	**Total**	**11,387,518**	**382,056,115**	**11,423,191**	**382,020,442**

Prior Period - December 31, 2017		Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
		Defaulted Exposures	Non-Defaulted Exposures		
1	Loans	7,943,186	189,515,032	6,836,932	190,621,286
2	Debt Securities	-	30,989,432	124,809	30,864,623
3	Off-balance sheet exposure	169,355	81,684,427	75,942	81,777,840
4	**Total**	**8,112,541**	**302,188,891**	**7,037,683**	**303,263,749**

Changes in Stock of Defaulted Loans and Debt Securities(*)

		Current Period-December 31, 2018
1	Defaulted Loans and debt securities at end of the previous reporting period	7,943,186
2	Loans and debt securities that have defaulted since the last reporting period	6,649,099
3	Returned to non-defaulted status	6,764
4	Amounts written-off	61,382
5	Other Changes	(3,531,123)
6	**Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)**	**11,129,308**

		Prior Period-December 31, 2017
1	Defaulted Loans and debt securities at end of the previous reporting period	6,703,383
2	Loans and debt securities that have defaulted since the last reporting period	3,216,747
3	Returned to non-defaulted status	106,595
4	Amounts written-off	4,054
5	Other Changes	(1,866,295)
6	**Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)**	**7,943,186**

(*) Indemnified non-cash loans of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

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Additional disclosure related to the credit quality of assets:

As per the provisions of "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Set Aside" published by BRSA, capital and interest payments, and loans unpaid within their maturity or on their due date are accepted to be overdue. Loans the collection of whose capital and interest payments are overdue more than 90 days and the loans whose debtors are decided by the Bank to have lost their credit ratings are deemed to be depreciated or loans for which provision is allocated.

The Parent Bank calculates its expected loss provisions in scope of TFRS 9, as laid out in detail in Information on Expected Loss Provisions no. VIII in the Accounting Policies.

Restructuring that can be applied for performing or non-performing receivables is done by changing the terms of the loan contract or by partially or completely refinancing the loan due to the financial difficulties that the borrower is facing or is likely to encounter in the payments.

Breakdown of receivables in terms of geographic regions, sectors and remaining maturities

Breakdown of receivables in terms of geographic regions

Curret Period - December 31, 2018	Credit receivables/risks
Domestic	209,453,985
European Union Countries	733,234
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	1,924,528
Other	16,638,732
Toplam	**228,750,479**

(*) OECD Countries other than EU countries, USA and Canada.

Prior Period - December 31, 2017	Credit receivables/risks
Domestic	179,159,737
European Union Countries	538,912
OECD Countries (*)	-
Off-Shore Banking Regions	-
USA, Canada	1,801,673
Other	8,014,710
Toplam	**189,515,032**

(*) OECD Countries other than EU countries, USA and Canada.

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Breakdown of loan receivables by sector

Current Period- December 31, 2018

Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	**1,669,369**	**263,864**	**187,054**
Farming and raising livestock	1,613,427	250,429	175,462
Forestry	10,742	9,912	8,737
Fishing	45,200	3,523	2,855
Manufacturing	**52,582,342**	**2,241,670**	**1,682,839**
Mining and Quarrying	4,571,678	194,057	147,181
Production	33,884,453	2,031,587	1,522,131
Electricity, Gas, Water	14,126,211	16,026	13,527
Construction	**25,799,135**	**1,244,569**	**898,168**
Services	**86,824,366**	**4,072,268**	**2,895,293**
Wholesale and Retail Trade	33,059,323	2,637,366	1,927,627
Accommodation and Dining	8,650,664	173,345	120,236
Transportation and Telecommunication	26,460,693	461,921	346,566
Financial Institutions	5,183,265	23,539	18,657
Real Estate and Rental Services	8,938,636	243,646	134,857
Professional Services	2,439,502	387,163	242,170
Educational Services	1,182,019	44,868	29,722
Health and Social Services	910,264	100,420	75,457
Other	**61,875,267**	**3,306,937**	**2,603,410**
Total	**228,750,479**	**11,129,308**	**8,266,764**

Prior Period- December 31, 2017

Breakdown of loan receivables by sector	Cash Loans	Impaired Loans	Provisions
Agricultural	**1,209,251**	**69,085**	**55,315**
Farming and raising livestock	1,173,437	64,741	51,758
Forestry	14,575	2,258	2,093
Fishing	21,239	2,086	1,464
Manufacturing	**40,923,643**	**1,628,025**	**1,307,257**
Mining and Quarrying	3,109,601	134,821	128,422
Production	28,997,739	1,487,022	1,172,949
Electricity, Gas, Water	8,816,303	6,182	5,886
Construction	**24,141,609**	**801,891**	**707,644**
Services	**66,970,456**	**2,979,614**	**2,589,472**
Wholesale and Retail Trade	28,155,555	2,049,107	1,804,680
Accommodation and Dining	5,873,037	107,964	93,282
Transportation and Telecommunication	14,036,041	405,285	346,845
Financial Institutions	4,833,015	23,368	22,498
Real Estate and Rental Services	9,580,561	96,090	87,526
Professional Services	2,820,378	185,072	151,398
Educational Services	970,503	20,029	19,385
Health and Social Services	701,366	92,699	63,858
Other	**56,270,073**	**2,464,571**	**2,177,244**
Total	**189,515,032**	**7,943,186**	**6,836,932**

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Breakdown by outstanding maturity

Current Period-
December 31, 2018

Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
-	21,932,592	7,133,228	41,970,263	94,205,987	63,408,131	**228,650,201**

Prior Period-
December 31, 2017

Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
27,331	15,033,785	5,711,157	33,139,366	85,661,984	45,868,907	**185,442,530**

Amounts of provision allocated receivables (According to the definition used by the Bank in accounting) based on geographical area and sector and amounts deducted from the assets with the related provisions

Breakdown by of provision allocated receivables by geographical area

Current Period - December 31, 2018

Geographical area	Loans Receivanles(Risks)	Provisions
Domestic	10,968,253	8,143,439
European Union Countries	127,513	113,385
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,900	9,297
Other	642	643
Total	**11,129,308**	**8,266,764**

(*) OECD Countries other than EU countries, USA and Canada.

Prior Period- December 31, 2017

Geographical area	Loans Receivanles(Risks)	Provisions
Domestic	7,819,393	6,742,126
European Union Countries	90,963	87,466
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	32,130	6,643
Other	700	697
Total	**7,943,186**	**6,836,932**

(*) OECD Countries other than EU countries, USA and Canada.

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Aging analysis for overdue receivables

	Current Period - December 31, 2018
31-60 days overdue	2,291,111
61-90 days overdue	1,865,347

Loan receivables with overdue loans are taken into consideration.

	Prior Period- December 31, 2017
31-60 days overdue	1,409,349
61-90 days overdue	813,948

Loan receivables with overdue loans are taken into consideration.

Breakdown of restructured receivables based on whether or not provisions are allocated

Payment Plan Extensions	Current Period- December 31, 2018
Standard Loans	1,266,637
Loans Under Close Monitoring	6,916,542
Non-performing Loans	273,455

Payment Plan Extensions	Prior Period- December 31, 2017
Standard Loans	2,664,938
Loans Under Close Monitoring	1,558,327
Non-performing Loans	335,136

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

b) Credit Risk Mitigation

Qualitative disclosure on credit risk mitigation techniques

Credit risk mitigation techniques in the Parent Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", published in the Official Gazette dated September 6, 2014, numbered 29111 simple financial guarantee method is used for financial guarantees. Cash and cash equivalents, Treasury Support Cointaining Credit Guarantee Fund Securities and guarantees are used to mitigate credit risk.

Policies regarding the valuation of financial collateral and the appraisal of the valuations and policies and procedures for the valuation of real estate established for the collateral of mortgage-backed loans, which are an asset class, have been established. These policies and procedures have been prepared in accordance with the "Communiqué on Credit Risk Mitigation" and cover the minimum requirements for collateral valuation and management.

The Parent Bank receives collaterals such as mortgages, sureties/guarantees and financial collaterals for the loans given.

Credit Risk Mitigation Techniques

	Current Period – December 31, 2018	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	157,274,241	71,375,960	53,821,706	27,968,835	25,400,943	-	-
2	Debt Securities	50,890,556	-	-	-	-	-	-
3	**Total**	**208,164,797**	**71,375,960**	**53,821,706**	**27,968,835**	**25,400,943**	**-**	**-**
4	Of which Defaulted	11,129,308	-	-	-	-	-	-

	Prior Period- December 31, 2017	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	112,239,146	78,382,140	66,629,280	3,652,598	3,128,437	-	-
2	Debt Securities	30,864,623	-	-	-	-	-	-
3	**Total**	**143,103,769**	**78,382,140**	**66,629,280**	**3,652,598**	**3,128,437**	**-**	**-**
4	Of which Defaulted	7,943,186	-	-	-	-	-	-

c) Credit risk under Standardized approach

Qualitative disclosures on banks' use of external credit ratings under the tandardized approach for credit risk

The external rating grades of the counterparties of Fitch Ratings international rating agencies are used in determining the risk weights for the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy. Fitch Ratings is used as an international rating agency to determine the risk weights of risk classes to be received from central government or central banks and from banks and intermediary institutions.

When an international rating is taken into account for the entire risk category of central government or central banks, the centralized and central banks that are not rated by the Fitch Ratings international rating agency are based on the country risk classification issued by the Organization for Economic Co-operation and Development (OECD).

The following table shows that the rating scale of the credit rating agency corresponds to the credit quality levels reported in the annex of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy.

Ratings Matched	Credit Quality Rank	Fitch Ratings
Long Term Credit Ratings	1	Between AAA and AA-
	2	Between A+ and A-
	3	Between BBB+ and BBB-
	4	Between BB+ and BB-
	5	Between B+ and B-
	6	CCC+ and below
Short Term Credit Ratings	1	Between F1+ and F1
	2	F2
	3	F3
	4	F3 and below
	5	-
	6	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

	Current Period - December 31, 2018	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	99,341,255	1,476,549	106,749,337	858,056	10,803,563	10.0%
2	Exposures to regional governments or local authorities	9,531,739	714,779	9,531,739	351,798	4,939,919	50.0%
3	Exposures to public sector entities	386,355	342,073	386,355	162,563	522,478	95%
4	Exposures to multilateral development banks	24,044	-	24,044	-	24,044	100%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to institutions	12,604,925	3,091,257	12,604,925	1,918,095	6,174,846	43%
7	Exposures to corporates	102,001,345	87,910,198	94,593,263	32,884,167	125,200,296	98%
8	Retail exposures	50,096,351	29,055,232	50,096,351	3,480,522	39,920,317	75%
9	Exposures secured by residential property	24,221,042	927,883	24,221,042	394,647	8,615,491	35%
10	Exposures secured by commercial real estate	26,166,954	3,311,817	26,166,954	2,098,293	17,522,633	62%
11	Past-due loans	2,862,544	-	2,862,544	-	1,866,824	65%
12	Higher-risk categories by the Agency Board	166,936	1,118	166,936	1,118	252,081	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	1,395	-	1,395	-	1,395	100%
16	Other assets	14,413,521	-	14,413,521	-	11,446,717	79%
17	Investment in equities	1,198,533	-	1,198,533	-	1,198,533	100%
18	**Total**	**343,016,939**	**126,830,906**	**343,016,939**	**42,149,259**	**228,489,137**	**59%**

	Prior Period- December 31, 2017	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	83,964,302	1,395,677	86,934,545	802,646	5,140,577	6%
2	Exposures to regional governments or local authorities	6,667,730	518,181	6,667,730	241,940	3,416,805	49%
3	Exposures to public sector entities	301,326	311,734	301,326	137,108	425,036	97%
4	Exposures to multilateral development banks	18,032	1,583	18,032	1,583	18,032	92%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	8,266,758	1,990,510	8,266,758	1,264,050	4,260,234	45%
7	Exposures to corporates	72,362,193	66,603,953	69,391,950	23,989,142	91,627,602	98%
8	Retail exposures	47,612,387	24,689,970	47,612,387	3,212,915	37,888,045	75%
9	Exposures secured by residential property	22,850,866	931,214	22,850,866	420,940	8,145,132	35%
10	Exposures secured by commercial real estate	23,816,613	2,279,165	23,816,613	1,301,591	15,449,818	62%
11	Past-due loans	1,106,254	-	1,106,254	-	1,106,254	100%
12	Higher-risk categories by the Agency Board	274,628	15,305	274,628	8,635	487,490	172%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	263	-	263	-	263	-
16	Other assets	10,375,891	-	10,375,891	-	8,072,913	78%
17	Investment in equities	707,498	-	707,498	-	707,498	100%
18	**Total**	**278,324,741**	**98,737,292**	**278,324,741**	**31,380,550**	**176,745,699**	**57%**

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Exposures by asset classes and risk weights

Current Period - December 31, 2018	Asset Classes/ Risk Weight	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	86,144,899	-	-	-	21,317,862	-	144,632	-	-	-	-	107,607,393
2	Exposures to regional governments or local authorities	3,666	-	53	-	9,879,818	-	-	-	-	-	-	9,883,537
3	Exposures to public sector entities	3,333	-	28,885	-	-	-	516,700	-	-	-	-	548,918
4	Exposures to multilateral development banks	-	-	-	-	-	-	24,044	-	-	-	-	24,044
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	116,459	-	4,241,469	-	9,677,074	-	488,018	-	-	-	-	14,523,020
7	Exposures to corporates	802,081	-	326,966	-	2,426,959	-	123,921,424	-	-	-	-	127,477,430
8	Retail exposures	261,402	-	120,518	-	-	53,194,953	-	-	-	-	-	53,576,873
9	Exposures secured by residential property	-	-	-	24,615,689	-	-	-	-	-	-	-	24,615,689
10	Exposures secured by commercial real estate	-	-	-	-	21,485,227	-	6,780,020	-	-	-	-	28,265,247
11	Past-due loans	-	-	-	-	2,014,166	-	825,654	22,724	-	-	-	2,862,544
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	168,054	-	-	-	168,054
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assesments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	1,395	-	-	-	-	1,395
16	Other assets	-	-	-	-	-	-	1,198,533	-	-	-	-	1,198,533
17	Investments in equities	2,368,394	-	748,012	-	-	-	11,297,115	-	-	-	-	14,413,521
18	**Total**	**89,700,234**	**-**	**5,465,903**	**24,615,689**	**66,801,106**	**53,194,953**	**145,197,535**	**190,778**	**-**	**-**	**-**	**385,166,198**

Prior Period- December 31, 2017	Asset Classes/ Risk Weight	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	77,478,439	-	90	-	10,236,204	-	22,458	-	-	-	-	87,737,191
2	Exposures to regional governments or local authorities	9,934	-	110,209	-	6,789,526	-	-	-	-	-	-	6,909,669
3	Exposures to public sector entities	3,704	-	12,118	-	-	-	422,612	-	-	-	-	438,434
4	Exposures to multilateral development banks	1,583	-	-	-	-	-	18,032	-	-	-	-	19,615
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	738	-	2,681,063	-	6,249,972	-	599,037	-	-	-	-	9,530,810
7	Exposures to corporates	368,031	-	225,296	-	2,410,442	-	90,377,323	-	-	-	-	93,381,092
8	Retail exposures	238,496	-	94,654	-	-	50,492,152	-	-	-	-	-	50,825,303
9	Exposures secured by residential property	-	-	-	23,271,806	-	-	-	-	-	-	-	23,271,806
10	Exposures secured by commercial real estate	-	-	-	-	19,336,772	-	5,781,432	-	-	-	-	25,118,204
11	Past-due loans	-	-	-	-	-	-	1,106,254	-	-	-	-	1,106,254
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	220,667	-	62,596	-	283,263
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assesments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	263	-	-	-	-	263
16	Other assets	-	-	-	-	-	-	707,498	-	-	-	-	707,498
17	Investments in equities	1,998,789	-	380,234	-	-	-	7,996,866	-	-	-	-	10,375,889
18	**Total**	**80,099,714**	**-**	**3,503,664**	**23,271,806**	**45,022,916**	**50,492,152**	**107,031,776**	**220,667**	**-**	**62,596**	**-**	**309,705,291**

4. Counterparty Credit Risk Explanations

Qualitative disclosure on counterparty credit risk

The counterparty credit risk that may be incurred by the counterparty that is a party to a transaction that is liable to both parties due to default before the final payment in the cash flow is managed within the Parent Bank's "Counterparty Credit Risk Management Policy Document". The counterparty credit risk amounts calculated using the "Fair Value Valuation Method" within the scope of the "Communiqué on Credit Risk Mitigation" are calculated on the basis of the portfolios in the trading accounts and banking accounts, and these amounts are used within the scope of capital adequacy calculations. Various scenarios and stress tests are applied to the counterparty credit risk.

Processes related to counterparty credit risk management activities have been written down. In the direction of the policy document and measurement results, activities of evaluating, analyzing and reporting the counterparty credit risk and determining the effect of the capital requirement of the Parent Bank and Group are being continued.

In addition to the measurement activities, sensitivity and scenario analysis are used to evaluate the resistance of the Group to the changes that may be experienced in risk factors against economic developments. Monthly stress test reports include analyzes of counterparty credit risk. The distributions of positions subject to counterparty credit risk calculation, the ratings of these counterparties from independent rating agencies and transaction concentration are regularly monitored by the Risk Management Department of the Parent Bank. The Parent Bank monitors the level of concentration in terms of the counterparty of derivative transactions. The collateral process of derivative transactions, repo, marketable securities transactions etc. with foreign banks is covered with ISDA (International Swap and Derivatives Association) and ISMA (International Securities Market Association) contracts and the collateral agreements regarding the mutual rights and obligations for the transactions between the two parties.

Treasury transactions are valued on a daily basis over the market prices taking into account these contracts and rules from the beginning to the closing of the transaction and the difference between the favorable and unfavorable values of the transactions against the market prices cause the settlement call movements by agreeing with the related banks. In compliance with the limitations of the bank which exposed to counterparty risk, the Parent Bank follows the limit follow up system. Limits, which are defined as loan limits and compromise limits in the system, are monitored instantaneously.

The Parent Bank has fulfilled its statutory obligations under EMIR (European Markets Infrastructure Regulation). The clearing member of the bank has been transmitted to the "counterparty" via a bank and transactions that provide conditions within the existing transactions in the portfolio have started to be cleared under the conditions of EMIR.

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Counterparty credit risk (CCR) approach analysis

	Current Period - December 31, 2018	Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	4,362,775	866,141			5,228,916	2,750,591
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					1,414,385	457,773
5	A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					5	1
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	**Total**						**3,208,365**

	Prior Period - December 31, 2017	Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	2,150,962	599,043			2,750,005	1,537,085
2	Standard approach - KKR (for derivatives)				1.4	-	-
3	Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					569,987	142,856
5	A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					14	5
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	**Total**						**1,679,946**

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Capital requirement for credit valuation adjustment (CVA)

	Current Period – December 31, 2018	EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	**-**	**-**
1	(i) VaR component (including the 3xmultiplier)		-
2	(ii) Stressed VaR component (including the 3xmultiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,228,916	1,880,018
4	Total subject to the CVA capital obligation	5,228,916	1,880,018

	Prior Period - December 31, 2017	EAD post CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	**-**	**-**
1	(i) VaR component (including the 3xmultiplier)		-
2	(ii) Stressed VaR component (including the 3xmultiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	2,750,005	1,154,133
4	Total subject to the CVA capital obligation	2,750,005	1,154,133

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Standard Approach - Counterparty Credit Risk (CCR) Exposures by Risk Classes and Risk Weights

Current Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	27,818,088	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	2,838	-	165	-	-	-	-	-	-	33
Claims from administration and non commercial entity	2,000	-	-	-	-	-	116	-	-	116
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,042,615	-	3,095,911	-	6,910,724	-	296,662	-	-	4,371,206
Corporates	30,453	-	-	-	-	-	706,524	-	-	706,524
Retail portfolios	1,096	-	-	-	-	17,943	-	-	-	13,457
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	**29,897,090**	**-**	**3,096,076**	**-**	**6,910,724**	**17,943**	**1,003,302**	**-**	**-**	**5,091,336**

(*) Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

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Prior Period

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Claims from central governments and central banks	6,839,359	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	1,514	-	36	-	-	-	-	-	-	7
Claims from administration and non commercial entity	473	-	-	-	-	-	11	-	-	11
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	2,438,621	-	1,406,086	-	3,663,551	-	469,757	-	-	2,582,750
Corporates	1,173	-	-	-	-	-	248,647	-	-	248,647
Retail portfolios	966	-	-	-	-	4,099	-	-	-	3,074
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
Total	**9,282,106**	**-**	**1,406,122**	**-**	**3,663,551**	**4,099**	**718,415**	**-**	**-**	**2,834,489**

(*) Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.
(**) Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Collaterals for counterparty credit risk

	Collateral for derivative transactions				Collateral for other transactions	
Current Period – December 31, 2018	**Fair value of collateral received**		**Fair value of collateral given**			
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**	**Fair value of collateral received**	**Fair value of collateral given**
Cash-domestic currency	-	-	-	-	28,667,189	-
Cash-foreign currency	-	-	-	-	2,883,913	-
Domestic sovereign debts	-	-	-	-	-	3,508
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**31,551,102**	**3,508**

	Collateral for derivative transactions				Collateral for other transactions	
Prior Period – December 31, 2017	**Fair value of collateral received**		**Fair value of collateral given**			
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**	**Fair value of collateral received**	**Fair value of collateral given**
Cash-domestic currency	-	-	-	-	7,193,065	-
Cash-foreign currency	-	-	-	-	2,593,898	-
Domestic sovereign debts	-	-	-	-	-	3,486
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**9,786,963**	**3,486**

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Loan Derivatives

Current Period - December 31, 2018	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	190,159	502,138
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	**190,159**	**502,138**
Fair Values	**33,188**	**136,768**
Positive fair values (asset)	33,188	-
Negative fair values (liability)	-	136,768

Prior Period - December 31, 2017	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	72,125	140,118
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	**72,125**	**140,118**
Fair Values		
Positive fair values (asset)	7,631	-
Negative fair values (liability)	-	24,444

Central counterparty risks

	Current Period- December 31, 2018	**Exposure at default (post-CRM)**	**RWA**
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		2,954
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	162,967	2,588
3	(i) OTC Derivatives	116,467	2,329
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	46,500	259
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	150,000	366
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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	Prior Period - December 31, 2017	**Exposure at default (post-CRM)**	**RWA**
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		410
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	20,494	410
3	(i) OTC Derivatives	20,494	410
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

5. Explanations on Securitizations

None.

6. Explanations on Market Risk

Qualitative disclosure requirements related to market risk

As a result of fluctuations in the financial market, the Group is exposed to market risk, depending on the exchange rates, interest rates and changes in the market prices of the shares.

In order to evaluate the market risk, liquidity risk , interest risk or condensation risk that Bank is facing or could face, with the policies and limitations that are lineup for to control the risks there is "Market Risk Management Directorate'' and it carries out the market risk management. In this extent, this Directorate design the risk measurement models, measurement results and getting regular reports from the other analyzes and give notices from the report of the analyzes to the necessary departments.

Market risks get measured and monitored with the national legislation that are parallel to international applications. This market risk management process continues by including buying and selling balance sheet both internally and externally, meeting the legal necessities, being able to analyze the all risks that can be caused from buying-selling activities and by identifying the market risk that can be caused by all portfolios.

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Risk management of the Parent Bank is important in order to be understood by the all management stages and be able to get an opportunity to manage risk. In addition to that, it is similarly important to handle the loss that might cause when a risk occurs. Therefore measurements must cover the evaluations for the fund needs near the size of the risk and evaluations of the conditions that caused it. By using the methods of scenario and stress test, it is possible to see risk levels and needs of funds that can be generated from different circumstances and risky conditions.

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

Market Risk- Standardised approach

	Current Period - December 31, 2018	RWA
	Outright products	
1	Interest rate risk (general and specific)	827,863
2	Stock risk (general and specific)	13,242
3	Foreign exchange risk	564,944
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	3,539
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**1,409,588**

	Prior Period - December 31, 2017	RWA
	Outright products	
1	Interest rate risk (general and specific)	267,113
2	Stock risk (general and specific)	15,206
3	Foreign exchange risk	483,713
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	33,828
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**799,860**

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7. Explanations on Operational Risk

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on October 23, 2015 is used in the operational risk calculation of the Group. Under the scope of the calculation, the value found by multiplying the average of the fifteen percent of the year-end gross income amounts realized by the Group over the last three years by twelve and half is considered as the operational risk.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-tomaturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

The whole Parent bank personnel is responsible from the deduction and control of the operational risks in the context of their mission and work proccesses. All of the units of the Parent bank are obligated to take precautions about the risk deduction aspect related with their on operations via insurance and other risk transfer mechanisms.

Current Period- December 31, 2018	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	7,355,711	9,438,300	10,624,126	9,139,379	15	1,370,907
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	17,136,335

Prior Period December 31, 2017	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	6,443,949	7,355,711	9,438,300	7,745,987	15	1,161,898
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	14,523,725

8. Interest Rate Risk Related to Banking Book

The Parent Bank has evaluated to interest rate risk arising from on-balance sheet and off-balance sheet positions in banking accounts in accordance within accordance with "Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method" performs and reports on these measurement based results and analyzes on weekly and monthly periods. In addition, in the Asset-Liability Management Committee meetings, the sensitivity of the active, passive and off-balance sheet items to the interest rate is evaluated taking into consideration the market developments.

In line with the management of interest rate risk arising from banking accounts; Scenario analysis, gap analysis to date of re-pricing, behavioral analysis, core demand deposit level, duration and maturity mismatch metrics, option risk, base risk and yield curve risk components are followed together.

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Current Period - December 31, 2018	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,552,723)/2,137,321	(6.27%) / 5.25%
2	EURO	200/(200)	(938,509) / 395,960	(2.31%) / 0.97%
3	USD	200/(200)	358,642 / (315,420)	0.88% / (0.77%)
	Total (for negative shocks)	-	**2,217,861**	**5.45%**
	Total (for positive shocks)	-	**(3,132,589)**	**(7.70%)**

Prior Period - December 31, 2017	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(2,370,615) / 2,318,845	(8.22%) / 8.04%
2	EURO	200/(200)	(537,399) / 364,920	(1.86%) / 1.27%
3	USD	200/(200)	513,644 / (536,219)	1.78% / (1.86%)
	Total (for negative shocks)	-	**2,147,546**	**7.45%**
	Total (for positive shocks)	-	**(2,394,370)**	**(8.30%)**

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SECTION FIVE
DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

Current Period - December 31, 2018	TL	FC
Cash	1,455,938	889,991
Central Bank of the Republic of Turkey (*)	3,393,478	25,750,911
Other	616,952	384,187
Total	**5,466,368**	**27,025,089**

Prior Period - December 31, 2017	TL	FC
Cash	1,395,384	595,490
Central Bank of the Republic of Turkey (*)	2,275,103	24,001,997
Other	350,955	37,317
Total	**4,021,442**	**24,634,804**

(*) TL 13,916,246 (December 31, 2017: TL 20,815,769) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

As per Communiqué on Required Reserve of CBRT, required reserve may be kept in TL, USD, EUR and standard gold. CBRT pays interest for required reserve kept in TL and USD.

In accordance with "Announcement on Reserve Deposits" of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 1.5% to 8% (December 31, 2017: ranging from 4% to 10.5%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 4% to 20% in US Dollar or Euro (December 31, 2017: ranging from 4% to 24%).

Balances with the Central Bank of the Republic of Turkey

Current Period - December 31, 2018	TL	FC
Unrestricted demand deposits	3,278,383	9,268,217
Unrestricted time deposits	-	-
Restricted time deposits	-	2,566,448
Reserve Deposits	115,095	13,916,246
Total	**3,393,478**	**25,750,911**

Prior Period - December 31, 2017	TL	FC
Unrestricted demand deposits	2,209,475	3,186,228
Unrestricted time deposits	-	-
Restricted time deposits	-	-
Reserve Deposits	65,628	20,815,769
Total	**2,275,103**	**24,001,997**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2. Further information on classified as financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss given as collateral or blocked

Current Period - December 31, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	13,936	6,040
Other	-	-
Total	**13,936**	**6,040**

Financial assets held for trading purpose given as collateral or blocked

Prior Period - December 31, 2017	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	-	1,552
Other	-	-
Total	**-**	**1,552**

Trading securities subject to repurchase agreements

None.

Positive differences on derivative financial assets

Current Period - December 31, 2018	TL	FC
Forward transactions	77,316	7,772
Swap transactions	3,953,573	370,502
Futures	-	-
Options	192	4,028
Other	-	-
Total	**4,031,081**	**382,302**

Positive differences on derivative financial assets held for trading purpose

Prior Period - December 31, 2017	TL	FC
Forward transactions	20,577	5,365
Swap transactions	1,780,873	138,506
Futures	-	-
Options	433	497
Other	-	-
Total	**1,801,883**	**144,368**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. Information on banks

Current Period - December 31, 2018	TL	FC
Banks		
Domestic	562,559	1,476,672
Foreign	923	4,663,954
Foreign Head Offices and Branches	-	-
Total	**563,482**	**6,140,626**

Prior Period - December 31, 2017	TL	FC
Banks		
Domestic	1,176,047	1,957,624
Foreign	849	10,189,279
Foreign Head Offices and Branches	-	-
Total	**1,176,896**	**12,146,903**

Due from foreign banks

Current Period - December 31, 2018	Unrestricted Balance	Restricted Balances(**)
EU Countries	1,568,328	-
USA, Canada	2,106,922	584,868
OECD Countries (*)	35,875	-
Off-shore Banking Regions	1,459	-
Others	367,425	-
Total	**4,080,009**	**584,868**

Prior Period - December 31, 2017	Unrestricted Balance	Restricted Balances(**)
EU Countries	916,102	-
USA, Canada	8,563,253	339,989
OECD Countries (*)	91,584	-
Off-shore Banking Regions	1,223	-
Others	277,977	-
Total	**9,850,139**	**339,989**

(*) EU countries, OECD countries except USA and Canada.
(**) Restricted balances that occur from securisation loans and other common banking activities.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	91,730	46,690
Other	-	-
Total	**91,730**	**46,690**

Available-for-sale financial assets given as collateral or blocked

Prior Period - December 31, 2017	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	8,553,659	344,646
Other	-	-
Total	**8,553,659**	**344,646**

Financial assets at fair value through other comprehensive income subject to repurchase agreements

Current Period - December 31, 2018	TL	FC
Government bonds	2,466,748	-
Treasury bills	-	-
Other debt securities	-	29,545
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Other	-	-
Total	**2,466,748**	**29,545**

Available-for-sale financial assets subject to repurchase agreements

Prior Period - December 31, 2017	TL	FC
Government bonds	1,682,275	-
Treasury bills	-	-
Other debt securities	-	156,751
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Total	**1,682,275**	**156,751**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information on financial assets at fair value through other comprehensive income

	Current Period – December 31, 2018
Debt securities	**11,045,816**
Quoted on a Stock Exchange	11,045,816
Unquoted	-
Equity securities	**3,451**
Quoted on a Stock Exchange	-
Unquoted	3,451
Provisions for impairment losses (-)	**176,833**
Total	**10,872,434**

Information on available-for-sale financial assets

	Prior Period - December 31, 2017
Debt securities	**14,649,567**
Quoted on a Stock Exchange	14,649,567
Unquoted	-
Equity securities	**43,370**
Quoted on a Stock Exchange	-
Unquoted	43,370
Provisions for impairment losses (-)	**122,553**
Total	**14,570,384**

5. Information on loans

Information on all types of loans and advances given to shareholders and employees of the Parent Bank

Current Period - December 31, 2018	Cash	Non-Cash
Direct loans provided to the shareholders	**-**	**44,668**
Legal entities	-	44,668
Real persons	-	-
Indirect loans provided to the shareholders	**-**	**-**
Loans provided to the employees	**173,151**	**40**
Total	**173,151**	**44,708**

Prior Period - December 31, 2017	Cash	Non-Cash
Direct loans provided to the shareholders	**-**	**38,243**
Legal entities	-	38,243
Real persons	-	-
Indirect loans provided to the shareholders	**-**	**-**
Loans provided to the employees	**140,344**	**313**
Total	**140,344**	**38,556**

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Information on loans classified in the first and second group loans and second group loans that have been restructured

Current Period - December 31, 2018

		Loans and other receivables under close monitoring		
			Agreement conditions modified	
Cash Loans	**Standard loans**	**Loans not Subject to Restructuring**	**Loans with Revised Contract Terms**	**Refinance**
Non-specialized loans	**203,397,535**	**13,008,000**	**418,422**	**6,509,610**
Loans given to enterprises	62,713,895	4,834,907	296,800	5,601,462
Export loans	9,570,984	329,254	-	-
Import loans	-	-	-	-
Loans given to financial sector	1,894,558	80,999	-	-
Consumer loans	43,289,478	934,847	27,571	263,256
Credit cards	8,570,846	302,726	70,297	-
Other	77,357,774	6,525,267	23,754	644,892
Specialized lending	**-**	**-**	**-**	**-**
Other receivables	**4,788,389**	**628,523**	**-**	**-**
Total	**208,185,924**	**13,636,523**	**418,422**	**6,509,610**

All creditors, including the Parent Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi A.Ş., a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by Levent Yapılandırma Yönetimi on December 21, 2018. The Parent Bank participated in Levent Yapılandırma Yönetimi A.Ş. with a 4.2559% share. Within the scope of Türk Telekom shares being taken over by Levent Yapılandırma A.Ş. and within the framework of the relevant contracts, the Parent Bank has given a loan to Levent Yapılandırma Yönetimi A.Ş., to take over the shares that are warranty to OTAŞ loans, in the value of TL 788,795 thousand and its provision amount is TL 4,242.

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Prior Period - December 31, 2017

	Standard loans and other receivables			Loans and other receivables under close monitoring		
Cash Loans	**Loans and other receivables**	**Agreement conditions modified**		**Loans and other receivables**	**Agreement conditions modified**	
		Payment plan extensions	**Other**		**Payment plan extensions**	**Other**
Non-specialized loans	**175,748,884**	**2,664,938**	**-**	**5,443,050**	**1,558,327**	**-**
Loans given to enterprises	61,848,581	1,837,235	-	2,454,411	1,228,903	-
Export loans	7,126,444	10,902	-	190,861	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2,136,947	-	-	4,480	-	-
Consumer loans	40,450,594	365,935	-	1,509,321	274,776	-
Credit cards	6,788,760	46,501	-	260,850	26,744	-
Other	57,397,558	404,365	-	1,023,127	27,904	-
Specialized lending	**-**	**-**	**-**	**-**	**-**	**-**
Other receivables	**27,331**	**-**	**-**	**-**	**-**	**-**
Total	**175,776,215**	**2,664,938**	**-**	**5,443,050**	**1,558,327**	**-**

Current Period - December 31, 2018	**Standard Loans**	**Loans under close monitoring**
12-Month expected credit losses	1,636,242	-
Significant Increase in Credit Risk	-	1,326,580

Information related to the changes in the payment plans of loans and other receivables:

Current Period - December 31, 2018

Number of modifications to extend payment plans	**Standard Loans**	**Loans under close monitoring**
Extended for 1 or 2 times	1,266,637	6,909,258
Extended for 3,4 or 5 times	-	7,119
Extended for more than 5 times	-	165

Extended period of time	**Standard Loans**	**Loans under close monitoring**
0-6 Months	-	48,610
6-12 Months	19	933,208
1-2 Years	43,989	431,680
2-5 Years	523,458	3,962,523
5 Years and Over	699,171	1,540,521

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Prior Period - December 31, 2017

Number of modifications to extend payment plans	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
Extended for 1 or 2 times	2,664,938	1,278,943
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

Extended period of time	Standard Loans and Other Receivables (*)	Loans and other receivables under close monitoring (*)
0-6 Months	11,488	1,035
6-12 Months	113,343	8,606
1-2 Years	58,323	23,959
2-5 Years	1,163,249	977,007
5 Years and Over	1,318,535	268,336

(*) The a and b paragraph of the 4th article of the 5th paragraph is the loan balances which change in contract conditions according to the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.27947 dated May 28, 2011.

Maturity analysis of cash loans

		Loans under close monitoring	
Current Period - December 31, 2018	**Standard loans**	**Loans not Subject to Restructuring**	**Agreement conditions modified**
Short-term Loans	53,339,815	3,323,384	828,119
Medium, Long-term Loans	154,846,109	10,313,139	6,099,913

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
Prior Period - December 31, 2017	**Loans and Other Receivables**	**Restructured or Rescheduled Loans and Other Receivables**	**Loans and Other Receivables**	**Restructured or Rescheduled Loans and Other Receivables**
Short-term Loans and Other Receivables	**40,281,664**	**30,278**	**2,043,156**	**62,739**
Loans	40,281,664	30,278	2,043,156	62,739
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium, Long-term Loans and Other Receivables	**135,494,551**	**2,634,660**	**3,399,894**	**1,495,588**
Loans	135,467,220	2,634,660	3,399,894	1,495,588
Specialization loans	-	-	-	-
Other Receivables	27,331	-	-	-

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Consumer loans, retail credit cards, personnel loans and personnel credit cards

Current Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	**657,529**	**40,105,229**	**40,762,758**
Housing loans	8,745	19,349,641	19,358,386
Automobile loans	2,964	320,676	323,640
General purpose loans	645,820	20,434,912	21,080,732
Other	-	-	-
Consumer loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	**-**	**5,664**	**5,664**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,473	2,473
Other	-	3,191	3,191
Retail credit cards – TL	**6,728,410**	**79,894**	**6,808,304**
With instalment	2,623,619	77,718	2,701,337
Without instalment	4,104,791	2,176	4,106,967
Retail credit cards – FC	**11,703**	**-**	**11,703**
With instalment	-	-	-
Without instalment	11,703	-	11,703
Personnel loans – TL	**6,900**	**83,705**	**90,605**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	6,900	83,705	90,605
Other	-	-	-
Personnel loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	**82,031**	**282**	**82,313**
With instalment	26,662	272	26,934
Without instalment	55,369	10	55,379
Personnel credit cards – FC	**233**	**-**	**233**
With instalment	-	-	-
Without instalment	233	-	233
Overdraft Checking Accounts – TL (Real person)	**3,655,873**	**-**	**3,655,873**
Overdraft Checking Accounts – FC (Real person)	**252**	**-**	**252**
Total	**11,142,931**	**40,274,774**	**51,417,705**

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Consumer loans, retail credit cards, personnel loans and personnel credit cards

Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	**573,114**	**39,344,936**	**39,918,050**
Housing loans	16,254	18,950,268	18,966,522
Automobile loans	6,463	423,169	429,632
General purpose loans	550,397	19,971,499	20,521,896
Other	-	-	-
Consumer loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	**1,878**	**5,035**	**6,913**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	1,878	5,035	6,913
Other	-	-	-
Retail credit cards – TL	**5,174,880**	**93,414**	**5,268,294**
With instalment	2,271,719	82,305	2,354,024
Without instalment	2,903,161	11,109	2,914,270
Retail credit cards – FC	**12,071**	**-**	**12,071**
With instalment	-	-	-
Without instalment	12,071	-	12,071
Personnel loans – TL	**4,477**	**57,389**	**61,866**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,477	57,389	61,866
Other	-	-	-
Personnel loans – FC indexed	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel loans – FC	**-**	**-**	**-**
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Personnel credit cards – TL	**77,776**	**454**	**78,230**
With instalment	30,276	411	30,687
Without instalment	47,500	43	47,543
Personnel credit cards – FC	**248**	**-**	**248**
With instalment	-	-	-
Without instalment	248	-	248
Overdraft Checking Accounts – TL (Real person)	**2,613,639**	**-**	**2,613,639**
Overdraft Checking Accounts – FC (Real person)	**158**	**-**	**158**
Total	**8,458,241**	**39,501,228**	**47,959,469**

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Instalment based commercial loans and corporate credit cards

Current Period - December 31, 2018	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	**1,406,196**	**43,970,768**	**45,376,964**
Real estate loans	6,738	988,053	994,791
Automobile loans	99,511	1,636,908	1,736,419
General purpose loans	1,299,947	41,345,807	42,645,754
Other	-	-	-
Instalment-based commercial loans – FC indexed	**18,357**	**1,479,331**	**1,497,688**
Real estate loans	-	-	-
Automobile loans	-	173,079	173,079
General purpose loans	18,357	1,306,252	1,324,609
Other	-	-	-
Instalment-based commercial loans – FC	**87,561**	**13,748,505**	**13,836,066**
Real estate loans	-	-	-
Automobile loans	-	4,819	4,819
General purpose loans	59,899	11,751,876	11,811,775
Other	27,662	1,991,810	2,019,472
Corporate credit cards – TL	**2,038,185**	**1,412**	**2,039,597**
With instalment	426,295	1,412	427,707
Without instalment	1,611,890	-	1,611,890
Corporate credit cards – FC	**1,719**	**-**	**1,719**
With instalment	-	-	-
Without instalment	1,719	-	1,719
Overdraft Checking Accounts – TL (Corporate)	**1,937,485**	**-**	**1,937,485**
Overdraft Checking Accounts – FC (Corporate)	**-**	**-**	**-**
Total	**5,489,503**	**59,200,016**	**64,689,519**

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Prior Period - December 31, 2017	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	**1,169,354**	**43,812,223**	**44,981,577**
Real estate loans	1,154	1,049,786	1,050,940
Automobile loans	88,063	1,940,882	2,028,945
General purpose loans	1,080,137	40,821,555	41,901,692
Other	-	-	-
Instalment-based commercial loans – FC indexed	**3,987**	**1,633,951**	**1,637,938**
Real estate loans	-	-	-
Automobile loans	-	177,864	177,864
General purpose loans	3,987	1,456,087	1,460,074
Other	-	-	-
Instalment-based commercial loans – FC	**33,525**	**10,943,718**	**10,977,243**
Real estate loans	**-**	**-**	**-**
Automobile loans	-	-	-
General purpose loans	10,888	10,225,284	10,236,172
Other	22,637	718,434	741,071
Corporate credit cards – TL	**1,761,150**	**1,708**	**1,762,858**
With instalment	451,980	1,708	453,688
Without instalment	1,309,170	-	1,309,170
Corporate credit cards – FC	**1,154**	**-**	**1,154**
With instalment	-	-	-
Without instalment	1,154	-	1,154
Overdraft Checking Accounts – TL (Corporate)	**1,844,329**	**-**	**1,844,329**
Overdraft Checking Accounts – FC (Corporate)	**-**	**-**	**-**
Total	**4,813,499**	**56,391,600**	**61,205,099**

Allocation of loans by customers

	Current Period-December 31, 2018
Public Sector	5,573,448
Private Sector	223,177,031
Total	**228,750,479**

	Prior Period-December 31, 2017
Public Sector	3,032,772
Private Sector	182,409,758
Total	**185,442,530**

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Allocation of domestic and overseas loans

	Current Period - December 31, 2018
Domestic loans	227,499,403
Foreign loans	1,251,076
Total	**228,750,479**

	Prior Period - December 31, 2017
Domestic loans	184,512,099
Foreign loans	930,431
Total	**185,442,530**

Loans to associates and subsidiaries

	Current Period - December 31, 2018
Direct loans to associates and subsidiaries	85
Indirect loans to associates and subsidiaries	-
Total	**85**

	Prior Period- December 31, 2017
Direct loans to associates and subsidiaries	17
Indirect loans to associates and subsidiaries	-
Total	**17**

Specific provisions accounted for loans (Stage 3)

	Current Period - December 31, 2018
Loans and receivables with limited collectability	712,622
Loans and receivables with doubtful collectability	1,161,870
Uncollectible loans and receivables	6,392,272
Total	**8,266,764**

Specific provisions for loans

	Prior Period - December 31, 2017
Loans and receivables with limited collectability	153,441
Loans and receivables with doubtful collectability	430,333
Uncollectible loans and receivables	6,253,158
Total	**6,836,932**

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Information on non-performing loans (Net)

Information on non-performing loans and other receivables restructured or rescheduled

	Group III	Group IV	Group V
Current period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Gross Amounts Before The Reserves	**96,659**	**196,424**	**228,364**
Loans Which Are Restructured	96,659	196,424	228,364

	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
(Gross amounts before the specific reserves)	**80,662**	**118,684**	**135,790**
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	80,662	118,684	135,790

Movements in non-performing loan groups

	Group III	Group IV	Group V
Current Period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Balance at the beginning of the period	**764,052**	**874,268**	**6,304,866**
Additions (+)	4,692,167	303,104	1,653,828
Transfers from other categories of loans under follow-up (+)	-	3,832,145	1,867,540
Transfers to other categories of loans under follow-up (-) (*)	3,339,708	2,364,913	19,884
Collections (-)	490,322	513,419	2,403,517
Write-offs (-)	-	-	61,382
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	30,483
Balance at the end of the period	**1,626,189**	**2,131,185**	**7,371,934**
Provision (-)(**)	712,622	1,161,870	6,392,272
Net balance	**913,567**	**969,315**	**979,662**

(*) Loans that are transferred from non-performing loans to restructured loans are presented in the transfers to other categories of loans under follow-up lines.

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	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Balance at the beginning of the period	**946,968**	**1,107,117**	**4,649,298**
Additions (+)	2,847,948	148,142	220,657
Transfers from other categories of loans under follow-up (+)	-	2,515,964	2,240,565
Transfers to other categories of loans under follow-up (-) (*)	2,692,529	2,556,278	119,519
Collections (-)	338,335	340,677	699,155
Write-offs (-)	-	-	4,054
Corporate and commercial loans	-	-	*4,054*
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	17,074
Balance at the end of the period	**764,052**	**874,268**	**6,304,866**
Specific provisions (-) (**)	153,441	430,333	6,253,158
Net balance on balance sheet	**610,611**	**443,935**	**51,708**

(*) Loans that are transferred from non-performing loans to restructured loans are presented in the transfers to other categories of loans under follow-up lines.
(**) After taking the colleterals of the loans amounting TL 32,026, that are classified in group IV, as from December 31, 2017 into account, the Parent Bank had recorded provision over the remaining amount.

Uncollectible loans and other receivables are collected through liquidation of collaterals and legal follow-up.

Information on non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
Current Period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Balance at the end of the period	274,287	155,259	831,298
Specific provision (-)	134,690	73,129	716,577
Net balance on balance sheet	**139,597**	**82,130**	**114,721**

	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Balance at the end of the period	43,425	12,519	581,510
Specific provision (-)	9,094	7,242	540,597
Net balance on balance sheet	**34,331**	**5,277**	**40,913**

Non-performing loans due to foreign currency denominated loans provided by the Parent Bank or domestic financial subsidiaries are followed in TL accounts, while non-performing loans provided by subsidiaries in abroad are followed in foreign currency accounts.

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Explanation on Write-off Policy

The total write-off of a financial asset in the Group is essentially a process that has become a default and does not have any expectation that it will be recovered and that these expectations are documented by legal means.

Partial write-offs include the agreement that a financial asset will be repaid in a certain percentage by the debtor and the amount remaining after the payment is removed from the financial statements.

The gross and net amounts of non-performing loans according to user groups

	Group III	Group IV	Group V
Current Period - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Current Period (Net)	**913,567**	**969,315**	**979,662**
Consumer and Commercial Loans (Gross)	1,626,111	2,131,158	7,338,007
Specific Provision (-)	712,576	1,161,855	6,358,552
Consumer and Commercial Loans (Net)	**913,535**	**969,303**	**979,455**
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	**-**	**-**	**-**
Other Loans and Receivables (Gross)	78	27	32,376
Specific Provision (-)	46	15	32,169
Other Loans and Receivables (Net)	**32**	**12**	**207**

	Group III	Group IV	Group V
Prior Period - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Prior Period (Net)	**610,611**	**443,935**	**51,708**
Consumer and Commercial Loans (Gross)	763,928	872,720	6,206,914
Specific Provision (-)	153,416	429,559	6,155,206
Consumer and Commercial Loans (Net)	**610,512**	**443,161**	**51,708**
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	**-**	**-**	**-**
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	**99**	**774**	**-**

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Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions.

	Group III	Group IV	Group V
Current Period (Net) - December 31, 2018	**Loans With Limited Collectability**	**Loans With Doubtful Collectability**	**Uncollectible Loans**
Interest accruals and valuation differences	166,028	186,428	62,724
Provision (-)	81,121	101,688	39,017

	Group III	Group IV	Group V
Prior Period (Net) (*) - December 31, 2017	**Loans and receivables with limited collectability**	**Loans and receivables with doubtful collectability**	**Uncollectible loans and receivables**
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

(*) As of 31 December 2017, the Company does not apply any rediscount on its non-performing loans in accordance with the Regulation on the Principles and Procedures for Determining of Loan Classifications.

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

Current Period - December 31, 2018	TL	FC
Government bonds	32,326,808	4,618,016
Treasury bills	-	-
Other securities issued by the governments	-	2,795,010
Total	**32,326,808**	**7,413,026**

Held-to-maturity debt securities issued by the governments

Prior Period - December 31, 2017	TL	FC
Government bonds	12,235,406	2,022,702
Treasury bills	-	-
Other securities issued by the governments	-	2,263,925
Total	**12,235,406**	**4,286,627**

Information on financial assets measured at amortized cost

	Current Period - December 31, 2018
Debt Securities	**39,980,510**
Quoted at stock exchanges	*39,895,439*
Unquoted at stock exchanges	*85,071*
Impairment losses (-)	**-**
Total	**39,980,510**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information on held-to-maturity investment securities

	Prior Period - December 31, 2017
Debt Securities	**16,766,071**
Quoted at stock exchanges	*16,652,591*
Unquoted at stock exchanges	*113,480*
Impairment losses (-)	**-**
Total	**16,766,071**

The movement table of the financial assets measured at amortised cost

	Current Period - December 31, 2018
Balances at the beginning of the period	**16,766,071**
Foreign currency differences on monetary assets	1,144,459
Purchases during the period	11,162,210
IFRS 9 Classification	7,656,572
Disposals through sales/redemptions	(841,350)
Change in Impairment losses	-
Change in amortized costs of the securities (*)	4,092,548
Balances at the end of the period	**39,980,510**

(*) Changes in amortized costs of the marketable securities also include rediscount differences in marketable securities.
(**) As of January 1, 2018, the Bank has applied the transition to the management model for certain government debt securities as a financial asset measured at amortized cost within the transition to TFRS 9. Bank previously classified securities as available-for-sale financial assets at fair value through other comprehensive income.

The movement table of the held-to-maturity investments

	Prior Period - December 31, 2017
Balances at the beginning of the period	**8,180,535**
Foreign currency differences on monetary assets	116,077
Purchases during the period	2,423,358
Transfers to available for sale portfolio(**)	7,501,432
Disposals through sales/redemptions	(2,186,864)
Change in Impairment losses	6,758
Change in amortized costs of the securities (*)	724,775
Balances at the end of the period	**16,766,071**

(*) Changes in the amortized costs of the marketable securities also include rediscount differences in marketable securities.
(**) The Parent Bank had classified TL 7,166,704 nominal value of marketable securities, which was followed under available for sale securities portfolio, to held to maturity portfolio on different dates in 2017. These marketable securities are included in the held to maturity portfolio with TL 7,501,432 book value, representing the fair value of the securities as from the dates when the classification occurred. The revaluation differences amounting to TL 63,966 as from the dates when the classification occurred are now being followed under equity, and the composed revaluation differences will be transferred to terminal accounts until the end of the maturity of the securities.

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Information on accounts related to financial assets measured at amortized cost

	Cost		Carrying Value	
Current Period - December 31, 2018	**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.

Information on held-to-maturity investments

	Cost		Carrying Value	
Prior Period - December 31, 2017	**TL**	**FC**	**TL**	**FC**
Collateralized/blocked investment securities	5,856,554	1,879,125	6,591,740	1,886,904
Investments subject to repurchase agreements	4,581,632	2,242,632	5,510,791	2,256,226
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	107,882	384,828	132,875	387,535
Total	**10,546,068**	**4,506,585**	**12,235,406**	**4,530,665**

(*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the "Other" line.

7. Investments in associates

Unconsolidated investments in associates

	Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/Turkey	9.93	9.93
2	Bankalararası Kart Merkezi AŞ	İstanbul/ Turkey	9.70	9.70
3	KKB Kredi Kayıt Bürosu AŞ	İstanbul/ Turkey	9.09	9.09
4	Güçbirliği Holding AŞ	İzmir/ Turkey	0.07	0.07
5	İzmir Enternasyonel Otelcilik AŞ	İstanbul/ Turkey	5.00	5.00
6	İstanbul Takas ve Saklama Bankası AŞ (*)	İstanbul/ Turkey	4.37	4.37
7	Kredi Garanti Fonu AŞ (*)	Ankara/ Turkey	1.54	1.54
8	Tasfiye Halinde World Vakıf UBB Ltd. (**)	Lefkoşa/TRNC	82.00	85.32

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	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	6,018,300	947,769	1,101,137	23,501	-	(238,103)	173,897	3,845,000
2	117,093	64,965	56,060	3,632	-	15,953	9,004	-
3	342,784	211,006	206,137	16,750	-	41,206	44,798	-
4	145,427	(75,166)	88,092	2	-	(29,481)	(10,162)	-
5	141,021	(95,167)	80,835	5	-	(66,071)	(6,271)	-
6	12,510,449	1,589,589	119,881	449,797	-	323,776	201,251	-
7	572,815	559,224	19,471	33,888	-	101,243	127,873	-
8	1,129	(151,980)	-	38	-	(7,479)	(5,834)	-

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2018.
(**) The financial statement information provided for these associates is taken from the financial statements dated June 30, 2018.

In the current period, Roketsan Roket Sanayii ve Ticaret A.Ş is reflected in the financial statement through fair value, and valuation difference between the cost value and the fair value of TL 374,215 is presented under the equity.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Bankalararası Kart Merkezi AŞ from TL 14,000 to TL 30,000 in the Ordinary General Meeting of the Company dated March 22, 2018. The share of the Parent Bank amounted to TL 1,551 is presented in the movement table of investments in associates as bonus shares received.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Kredi Garanti Fonu AŞ from TL 278,439 to TL 318,282. The share of the Parent Bank amounted to TL 177. During the capital increase, the share of the Bank decreased from 1.69% to 1.54% due to the participation of new banks in the association.

The title of World Vakıf Off Shore Banking Ltd, a subsidiary of the Parent Bank, was changed as World Vakıf UBB. Ltd. On February 4, 2009. Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official uthorization of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to incompliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. Will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as "Investments in associates". The liquidation process of World Vakıf UBB Ltd, an associate of the Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company's title has been changed as "World Vakıf UBB Ltd in Liquidation".

Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonel AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

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Consolidated investments in associates

	Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Kıbrıs Vakıflar Bankası Ltd. (*)	Lefkoşa/TRNC	15.00	15.00
2	Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	1,418,466	103,988	7,616	80,886	3,522	19,074	5,231	-
2	38,269,440	4,184,076	981,231	2,347,619	764,692	670,756	611,177	2,222,532

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2018.

In the current period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,400,000 to TL 2,800,000 in the Ordinary General Meeting of the Company dated March 23, 2018. The share of the Bank amounting to TL 33,510 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Türkiye Sınai Kalkınma Bankası AŞ from TL 2,050,000 to TL 2,400,000 in the Ordinary General Meeting of the Company dated March 23, 2017. The share of the Bank amounting to TL 29,321 is presented in the movement table of investments in associates as bonus shares received.

Movement of consolidated investments in associates

	Current Period - December 31, 2018
Balance at the beginning of the period	**302,959**
Movements during the period	**(106,092)**
Transfers	-
Acquisitions	-
Bonus shares received	33,510
Share of current year profit	-
Sales/liquidations	-
Fair value changes	-
Impairment losses	(139,602)
Balance at the end of the period	**196,867**
Capital commitments	**-**
Share percentage at the end of period (%)	**-**

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	Prior Period - December 31, 2017
Balance at the beginning of the period	**253,457**
Movements during the period	**49,502**
Transfers	-
Acquisitions	-
Bonus shares received	29,321
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,181
Impairment losses	-
Balance at the end of the period	**302,959**
Capital commitments	**-**
Share percentage at the end of period (%)	**-**

Sectoral distribution of consolidated investments and associates

	Current Period - December 31, 2018
Banks	196,867
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	**196,867**

	Prior Period - December 31, 2017
Banks	302,959
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	**302,959**

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Quoted associates

	Current Period - December 31, 2018
Quoted at domestic stock exchanges	186,248
Quoted at international stock exchanges	-
Total	**186,248**

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	292,341
Quoted at international stock exchanges	-
Total	**292,341**

Investments in associates disposed during the period

There is not any associate disposed by the Parent Bank in the current period.

Investments in associates acquired during the period

In the current period, the Bank have participated establishment of "Turkey Products Inc. Specialized Exchange" with a capital of TL 100,000. In the Company, the nominal share of Bank is TL 3,000 and its share is 3%. The bank has to pay one-quarter of its share in cash, and the remaining three quarters within 24 months of the registration of the Company. Transactions related to the establishment of the company were registered in the trade registry on 8 June 2018. As of June 30, 2018 the Bank has made a payment of one-quarter of its share and the shares amounting to TL 750 has been presented in Purchases in the movement table of investment in associates.

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8. Investments in subsidiaries

Information on significant subsidiaries

Current Period - December 31, 2018	**Vakıfbank International AG**	**Vakıf Finansal Kiralama AŞ**	**Vakıf Yatırım Menkul Değerler AŞ**	**Vakıf Faktoring AŞ**	**Güneş Sigorta AŞ**	**Vakıf Emeklilik ve Hayat AŞ**	**Vakıf Gayrimenkul Yat. Ort. AŞ**	**Vakıf Menkul Kıymet Yat. Ort. AŞ**
Paid in Capital	114,483	140,000	35,000	70,000	270,000	26,500	225,000	20,000
Share Premium	-	1,447	137	-	6,112	10,615	268,330	93
Equity share premiums	-	-	-	-	655	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	22,303	115,576	1,809	745,204	63,826	502	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	(5,780)	-	-	-	-	-	-	-
Profit Reserves	571,875	42,610	18,277	74,642	36,425	178,058	113,637	395
Legal Reserves	11,854	7,984	8,601	6,984	17,179	18,385	7,974	395
Statutory reserves	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	34,626	7,368	67,658	19,246	159,673	105,663	-
Other Profit Reserves	560,021	-	2,308	-	-	-	-	-
Profit/Loss	197,108	(43,031)	36,171	82,226	(356,642)	269,967	35,899	(2,906)
Prior Period's Profit/Loss	161,570	(40,798)	1,866	(13,840)	(332,096)	45,301	(2,018)	(3,008)
Current Period's Profit/Loss	35,538	(2,233)	34,305	96,066	(24,546)	224,666	37,917	102
Minority Rights	-	30	-	-	-	-	-	-
Total Core Capital	**877,686**	**163,359**	**205,161**	**228,677**	**701,099**	**548,966**	**643,368**	**17,529**
SUPPLEMENTARY CAPITAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CAPITAL	**877,686**	**163,359**	**205,161**	**228,677**	**701,099**	**548,966**	**643,368**	**17,529**
NET AVAILABLE EQUITY	**877,686**	**163,359**	**205,161**	**228,677**	**701,099**	**548,966**	**643,368**	**17,529**

(*) Reviewed BRSA financial statements as of December 31, 2018 are considered.

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Prior Period - December 31, 2017	**Vakıfbank International AG**	**Vakıf Finansal Kiralama AŞ**	**Vakıf Yatırım Menkul Değerler AŞ**	**Vakıf Faktoring AŞ**	**Güneş Sigorta AŞ**	**Vakıf Emeklilik ve Hayat AŞ**	**Vakıf Portföy Yönetimi AŞ**	**Vakıf Gayrimenkul Yat. Ort. AŞ**	**Vakıf Menkul Kıymet Yat. Ort. AŞ**
Paid in Capital	114,483	109,000	35,000	70,000	270,000	26,500	12,000	217,500	20,000
Share Premium	-	-	-	-	655	-	-	246,731	-
Adjustment to paid-in capital	-	206	(109)	51	(2,369)	5,832	74	21,600	63
Valuation changes in marketable securities	38,306	3,821	92,327	352	413,605	869	-	-	-
Profit on sale of associates, subsidiaries and buildings	-	16,596	-	-	218,237	50,005	-	547	-
Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	1,094	-	-	4,010	191	-	-	-
Legal Reserves	10,614	6,286	6,128	5,824	17,179	18,385	1,347	7,543	395
Extraordinary Reserves	-	33,523	7,368	45,624	19,246	104,880	7,050	108,125	-
Other Profit Reserves	352,474	-	2,308	-	-	-	-	-	-
Profit/Loss	157,216	34,514	21,246	23,195	(331,590)	155,164	7,809	5,469	(3,007)
Prior Period's Profit/Loss	129,784	(18)	1,623	-	(439,449)	73,393	-	-	(3,008)
Current Period's Profit/Loss	27,432	34,532	19,623	23,195	107,859	81,771	7,809	5,469	1
Minority Rights	-	98	-	-	-	-	-	-	-
Total Core Capital	**673,093**	**205,138**	**164,268**	**145,046**	**608,973**	**361,826**	**28,280**	**607,515**	**17,451**
SUPPLEMENTARY CAPITAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CAPITAL	**673,093**	**205,138**	**164,268**	**145,046**	**608,973**	**361,826**	**28,280**	**607,515**	**17,451**
NET AVAILABLE EQUITY	**673,093**	**205,138**	**164,268**	**145,046**	**608,973**	**361,826**	**28,280**	**607,515**	**17,451**

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with "Communiqué on Capital and Capital Adequacy of Intermediary Firms" of Capital Markets Board as six months periods. Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ, which are the consolidated subsidiaries of the Parent Bank operating in insurance sector, calculate capital adequacy in accordance with "Communiqué on Capital Adequacy Measurement and Assessment for Insurance, Reinsurance and Pension Firms" published by Republic of Turkey Undersecretariat of Treasury as six months periods. According to the calculations at December 31, 2018, there is no capital requirement for the subsidiaries mentioned.

Unconsolidated investments in subsidiaries

	Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Vakıf Enerji ve Madencilik AŞ (**)	Ankara/ Turkey	65.50	82.60
2	Taksim Otelcilik AŞ (*)	İstanbul/ Turkey	51.00	51.69
3	Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/ Turkey	86.97	93.82
4	Vakıf Gayrimenkul Değerleme AŞ (*)	Ankara/ Turkey	94.29	96.56

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	27,804	12,972	1,040	1,236	-	1,316	6,020	22,459
2	395,482	377,985	213,177	13,001	-	23,214	5,653	431,760
3	80,275	57,604	13,816	4,620	-	2,811	3,882	49,463
4	33,619	26,051	842	3,552	-	(59)	(178)	25,428

(*) The financial statement information provided for these associates is taken from the financial statements dated September 30, 2018.
(**) The financial statement information provided for these associates is taken from the financial statements dated December 31, 2017.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

In the current period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Pazarlama Sanayi ve Ticaret AŞ, purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,811 for TL 4,598 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Pazarlama Sanayi ve Ticaret AŞ worth TL 2,525 for TL 4,131 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the parent bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 26,302 from TL 20,966 and share amount increased to 86.97% from 69.33%.

In the current period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Gayrimenkul Değerleme AŞ purchased all of Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı's nominal shares of Vakıf Gayrimenkul Değerleme AŞ worth TL 1,200 for TL 2,256 and all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Gayrimenkul Değerleme AŞ worth TL 4,400 for TL 8,275 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the subsidiaries. After the purchase, the bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 13,200 from TL 7,600 and share amount increased to 94.29% from 54.29%.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Investments in consolidated subsidiaries

	Title	Address (City / Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Güneş Sigorta AŞ	İstanbul/ Turkey	48.02	48.02
2	Vakıf Emeklilik ve Hayat AŞ (*)	İstanbul/ Turkey	53.90	79.68
3	Vakıf Faktoring AŞ	İstanbul/ Turkey	78.39	87.49
4	Vakıf Finansal Kiralama AŞ	İstanbul/ Turkey	58.71	66.23
5	Vakıf Yatırım Menkul Değerler AŞ	İstanbul/ Turkey	99.25	99.54
6	Vakıfbank International AG	Viyana/Austria	90.00	90.00
7	Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/ Turkey	18.47	30.12
8	Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/ Turkey	38.70	39.54

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,610,459	802,284	843,141	150,071	-	10,871	26,493	403,615
2	8,500,254	422,619	164,016	57,238	-	116,707	73,260	1,437,910
3	2,685,802	241,379	992	509,536	-	94,928	23,194	217,106
4	3,085,523	247,159	21,296	201,918	-	40,055	33,819	247,809
5	532,094	205,129	3,775	36,989	1,726	34,198	19,623	264,575
6	5,565,543	890,348	2,209	155,053	-	50,010	23,303	448,398
7	17,924	17,529	305	869	937	102	1	30,275
8	1,695,770	981,030	831,798	9,657	-	40,756	75,357	448,229

(*) Financial information as at September 30, 2018 has been presented for these subsidiaries.

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period - December 31, 2018
Balance at the beginning of the period	**1,950,138**
Movements during the period	**179,594**
Transfers	(52,500)
Acquisitions	433
Bonus shares received	33,104
Share of current year profit	(48,196)
Sales and liquidations	(885)
Fair value changes	261,874
Impairment losses	(14,236)
Balance at the end of the period	**2,129,732**
Capital commitments	**-**
Share percentage at the end of the period (%)	**-**

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period - December 31, 2017
Balance at the beginning of the period	**1,528,228**
Movements during the period	**421,910**
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(16,825)
Sales and liquidations	(232)
Fair value changes	373,209
Impairment losses	13,784
Balance at the end of the period	**1,950,138**
Capital commitments	**-**
Share percentage at the end of the period (%)	**-**

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period - December 31, 2018
Measured at cost	-
Measured at fair value	2,129,732
Equity method of accounting	-
Total	**2,129,732**

	Prior Period - December 31, 2017
Measured at cost	-
Measured at fair value	1,950,138
Equity method of accounting	-
Total	**1,950,138**

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period - December 31, 2018
Banks	403,558
Insurance companies	968,850
Factoring companies	170,189
Leasing companies	145,488
Financing companies	-
Other financial subsidiaries	441,647
Total	**2,129,732**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period- December 31, 2017
Banks	362,247
Insurance companies	835,401
Factoring companies	123,551
Leasing companies	136,632
Financing companies	-
Other financial subsidiaries	492,307
Total	**1,950,138**

Quoted consolidated subsidiaries

	Current Period - December 31, 2018
Quoted at domestic stock exchanges	518,361
Quoted at international stock exchanges	-
Total	**518,361**

	Prior Period - December 31, 2017
Quoted at domestic stock exchanges	578,891
Quoted at international stock exchanges	-
Total	**578,891**

Consolidated subsidiaries disposed during the period

There is not any disposal in the consolidated subsidiaries in the current year.

Consolidated investments in subsidiaries acquired during the period

Vakıf Portföy Yönetimi AŞ, a subsidiary of the Bank, is excluded from the Subsidiaries account and started to be monitored in Assets Held for Sale and Assets Related to the Discontinued Operations account.

In the current period, it has been decided to sell 885,160 shares of Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. After the sale, the Bank's share decreased from TL 4,578 to TL 3,693. The share of the Bank amounting to TL 885 has been disclosed in Sales in the movement table of subsidiaries. After the sale, the Bank's share in Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş. decreased from 22.89% to 18.47%.

In the current period, Türkiye Vakıflar Bankası T.A.O, a shareholder of Vakıf Yatırım Menkul Değerler AŞ, purchased all of VakıfBank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı's nominal shares of Vakıf Yatırım Menkul Değerler AŞ worth TL 87 for TL 433 on September 28, 2018. The purchased shares are presented in the Purchases, in the movement table for the affiliates. After the purchase, the bank's nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 34,737 from TL 34,650 and share amount increased to 99.25% from 99.00%.

In the current period, it is decided to increase the paid-in capital of Vakıf Portföy Yönetimi AŞ from TL 12,000 to TL 24,000 by a bonus increase of 100%. The share of the Bank amounting to TL 12,000 is presented in the movement table of investments in subsidiaries as bonus shares received. The subsidiary was included in Assets hels for sale in December 2018 and sold on January 2,2019.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

In the current period, at the Ordinary General Assembly Meeting held on May 15, 2018, Vakıf Finansal Kiralama AŞ, an affiliate of The Parent Bank, has resolved to increase its capital from TL 109,000 by a bonus increase of TL 31,000 to TL 140,000. TL 18,201 corresponding to The Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the current period, at the Ordinary General Assembly Meeting held on May 14, 2018, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an affiliate of The Parent Bank, has resolved to increase its capital from TL 217,500 by a bonus increase of TL 7,500 to TL 225,000. TL 2,903 corresponding to The Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, denomination of Vakıf Emeklilik AŞ has changed to "Vakıf Emeklilik ve Hayat AŞ" on July 26, 2017, respective alteration is registered officially in trade registry.

In the prior period, at the Ordinary General Assembly Meeting held on July 13, 2017, Vakıf Faktoring AŞ, an affiliate of The Parent Bank, has resolved to increase its capital from TL 22,400 by a bonus increase of TL 47,600 to TL 70,000. TL 37,315 corresponding to The Parent Bank's shareholding are presented in the Bonus Shares in the movement table for the affiliates.

In the prior period, it is decided to sell Güneş Sigorta AŞ's 500,000 shares, that are traded in the stock market. After the selling, The Parent Bank's share had decreased to TL 129,643 from TL 130,143. The sold shares, amounting TL 232, are presented in the Sales, in the movement table for the affiliates. After the selling, The Parent Bank's share in Güneş Sigorta AŞ had decreased to 48.02% from 48.20%.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Gayimenkul Yatırım Ortaklığı AŞ from TL 213,000 to TL 217,500 by a bonus increase of TL 4,500 in the Ordinary General Meeting of the Company dated June 16, 2017. The share of The Parent Bank amounting to TL 1,742 is presented in the movement table of investments in associates as bonus shares received.

In the prior period, subsequent to the approval of the decision to increase the paid-in capital of Vakıf Finansal Kiralama AŞ from TL 87,000 to TL 109,000 by a bonus increase of TL 22,000 in the Ordinary General Meeting of the Company dated June 14, 2017. The share of The Parent Bank amounting to TL 12,917 is presented in the movement table of investments in associates as bonus shares received.

9. Investments in joint-ventures

There is not any investment in joint-ventures of the Group within current and prior period.

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

Current Period - December 31, 2018	**Gross**	**Net**
Less than 1 year	565,650	535,088
Between 1-4 years	1,883,455	1,644,025
Longer than 4 years	755,179	602,489
Total	**3,204,284**	**2,781,602**

Prior Period - December 31, 2017	**Gross**	**Net**
Less than 1 year	329,412	315,471
Between 1-4 years	1,268,523	1,092,496
Longer than 4 years	579,828	472,233
Total	**2,177,763**	**1,880,200**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Net investments in finance lease receivables

	Current Period - December 31, 2018
Gross finance lease receivables	3,204,284
Unearned income on finance lease receivables (-)	422,682
Terminated lease contracts (-)	-
Net finance lease receivables	**2,781,602**

	Prior Period - December 31, 2017
Gross finance lease receivables	2,177,763
Unearned income on finance lease receivables (-)	297,563
Terminated lease contracts (-)	-
Net finance lease receivables	**1,880,200**

Information on finance lease agreements

Sum of the minimum lease payments including interest and principal amounts are stated under the "finance lease receivables" as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the "unearned income" account. If the lease payments are made, the lease principal amount is deducted from the "finance lease receivables" as the interest component of the payment is reflected to interest income on the consolidated statement of income.

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

12. Information on tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	1,215,322	120,731	23,750	1,454,182	2,813,985
Accumulated depreciation(-)	19,812	115,141	17,268	918,700	1,070,921
Impairment(-)	6,834	-	-	4,821	11,655
Net book value	**1,188,676**	**5,590**	**6,482**	**530,661**	**1,731,409**
Balance at the end of the current year:					
Net book value at the beginning of the current year	1,188,676	5,590	6,482	530,661	1,731,409
Additions	491,985	-	40,607	342,732	875,324
Transfered cost	624,419	-	-	-	624,419
Transfered amortisation	27,892	-	-	-	27,892
Cost of the disposals	71,570	22	2,631	99,512	173,735
Classification of Assets Held for Sale and Discontinued Operations	-	-	-	412	412
Classification Among the Tangible Fixed Assets	-	-	-	-	-
Depreciation of the disposals (-)	2,548	17	2,332	14,394	19,291
Depreciation of the current year	9,006	1,900	6,411	151,927	169,244
Classification Among the Depreciation of the Tangible Fixed Assets	-	-	-	-	-
Impairment (-)	23,874	-	-	17,089	40,963
Exchange differences related to foreign associates	-	-	149	6,160	6,309
Cost at the end of the current year	2,260,156	120,709	61,875	1,703,150	4,145,890
Accumulated depreciation at the end of the year (-)	54,162	117,024	21,347	1,056,233	1,248,766
Impairment (-)	30,708	-	-	21,910	52,618
Net book value at the end of the current year	**2,175,286**	**3,685**	**40,528**	**625,007**	**2,844,506**

13. Information on intangible assets

Group's intangible assets consist of computer softwares and licenses. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis through the estimated useful lives over their costs adjusted for inflation for the items purchased before December 31, 2004, over their initial costs for the items purchased after December 31, 2004.

In the current year an intangible asset that presents severity for the financial statements does not exist.

Additionally the Group does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utulisation restrictions or have been pledged.

The Group has not declared a commitment to purchase intangible assets.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

14. Information on investment properties

As of December 31, 2018, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 101,795 (December 31, 2017: TL 8,377) and its subsidiaries which are operating in real estate investment business is TL 505,605 (December 31, 2017: TL 415,121).

15. Information on tax assets

a) Current tax assets

As at December 31, 2018 the current tax asset of the Group amounts to TL 2 (December 31, 2017: TL 1,016).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at December 31, 2018 and December 31, 2017:

	Current Period - December 31, 2018
Provision for employee termination benefits and unused vacations	122,272
Other provisions	73,828
Valuation differences of associates and subsidiaries	115,933
Deductible financial losses	16,830
Investment incentives	3,699
Valuation differences of financial assets and liabilities	42,008
Reporting Standards - Tax Code depreciation differences	-
Provision (General Provision)	626,608
Other differences	18,536
Deferred tax assets	**1,019,714**
Net-off of the deferred tax assets and liabilities from the same entity	(830,746)
Deferred tax assets, (net)	**188,968**
Valuation differences of financial assets and liabilities	621,513
Valuation difference for associates and subsidiaries	111,720
Valuation differences of properties	93,668
Other differences	35,566
Deferred tax liabilities	**862,467**
Net-off of the deferred tax assets and liabilities from the same entity	(830,746)
Deferred tax liabilities, (net)	**31,721**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period - December 31, 2017
Provision for employee termination benefits and unused vacations	103,455
Other provisions	57,514
Valuation differences of associates and subsidiaries	55,424
Deductible financial losses	24,099
Investment incentives	373
Valuation differences of financial assets and liabilities	80,160
Reporting Standards - Tax Code depreciation differences	-
Other differences	17,108
Deferred tax assets	**338,133**
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
Deferred tax assets, (net)	**62,596**
Valuation differences of financial assets and liabilities	254,360
Valuation difference for associates and subsidiaries	21,501
Valuation differences of properties	51,801
Other differences	22,939
Deferred tax liabilities	**350,601**
Net-off of the deferred tax assets and liabilities from the same entity	(275,537)
Deferred tax liabilities, (net)	**75,064**

As at December 31, 2018 and December 31, 2017, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period - December 31, 2018
As of 1 January	**(12,468)**
Adjustment according to TAS as of January, 1	(40,408)
Deferred tax income/loss	(244,441)
Deferred tax that is accounted under Equity	(43,408)
Deferred tax that is accounted under general provision	504,448
Other	(6,476)
Deferred tax asset/(Liability)	**157,247**

	Priror Period - December 31, 2017
As of 1 January	**174,063**
Deferred tax income/loss	(160,372)
Deferred tax that is accounted under Equity	(21,448)
Other	(4,711)
Deferred tax asset/(Liability)	**(12,468)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

The reconciliation of the deferred tax on the assets directly related to the equity is as follows as of December 31, 2018 and December 31, 2017:

	Current Period - December 31, 2018
Financial assets at fair value through other comprehensive income	(8,688)
Associates and subsidiaries	(21,686)
Tangible assets	(51,682)
Assets held for sale	(5,079)
Actuarial gains and losses	3,319
The effect of changes in accounting policies	40,408
Total	**(43,408)**

	Prior Period - December 31, 2017
Securities available for sale	(15,709)
Associates and subsidiaries	234
Tangible assets	(18)
Actuarial gains and losses	(5,955)
Total	**(21,448)**

16. Information on assets held for sale and assets related to the discontinued operations

As at December 31, 2018, net book value of assets held for sale of the Group is amounting to TL 1,568,113 (December 31, 2017: TL 1,312,728).

Vakıf Portföy Yönetimi AŞ, a subsidiary of The Parent Bank, is excluded from the Subsidiaries account and started to be monitored in Assets Held for Sale and Assets Related to the Discontinued Operations account.

The balance sheet, income and expense items of Vakıf Portföy Yönetimi AŞ and the in-group transaction balances are given below.

Assets	**Vakıf Portföy**	**In Group**	**Total net**
Cash and cash equivalents	34,648	(34,648)	-
Financial assets at fair value through profit or loss	93	-	93
Other assets	1,701	-	1,701
Total	**36,442**	**(34,648)**	**1,794**

Liabilities	**Vakıf Portföy**	**In Group**	**Total net**
Provisions	782	-	782
Current tax liabilities	717	-	717
Other liabilities	79	(32)	48
Total	**1,578**	**(32)**	**1,547**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Income and Expense	Vakıf Portföy	In Group	Total net
Interest Income	5,991	(5,918)	73
Interest Expenses	-	-	-
Personnel Expenses	3,714	-	3,714
Trading Income/ Losses (Net)	(1)	-	(1)
Other operating income	11,593	(5,260)	6,333
Other operating expenses	2,784	-	2,784
Provision For Taxes on Income From Continuing Operations	(2,435)	-	(2,435)
Net Profit/Loss From Continuing Operations	8,650	(11,178)	(2,528)

17. Information on other asset

As at December 31, 2018 and December 31, 2017, the details of other assets are as follows:

	Current Period - December 31, 2018
Receivables from insurance operations	1,954,650
Receivables from credit card payments	1,443,032
Prepaid expenses	1,297,047
Guarantees given for repurchase agreements	32,741
Guarantees given for derivative financial instruments	6,891,330
Receivables from term sale of assets	72,096
Receivables from reinsurance companies	53,863
Deferred commission expenses	119,251
Other	2,846,462
Total	**14,710,472**

	Prior Period - December 31, 2017
Receivables from insurance operations	1,352,349
Receivables from credit card payments	1,173,158
Prepaid expenses	1,097,170
Guarantees given for repurchase agreements	151
Guarantees given for derivative financial instruments	2,749,121
Receivables from term sale of assets	11,116
Receivables from reinsurance companies	60,613
Deferred commission expenses	43,083
Other	2,248,364
Total	**8,735,125**

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

18. Information on expected loss provisions for financial assets

	Current Period - December 31, 2018
Cash and balances with the Central Bank of the Republic of Turkey	328
Banks	7,308
Stock securities portfolio	4,665
Other Assets	23,937
Total	**36,238**

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period

December 31, 2018	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**5,744,919**	**-**	**6,643,429**	**35,802,910**	**4,275,941**	**831,277**	**561,358**	**3,851**	**53,863,685**
Foreign currency deposits	**12,208,395**	**-**	**4,802,505**	**33,583,387**	**3,817,569**	**2,370,111**	**8,998,778**	**-**	**65,780,745**
Residents in Turkey	11,089,671	-	4,734,577	32,950,463	3,222,472	898,417	1,452,912	-	54,348,512
Residents in abroad	1,118,724	-	67,928	632,924	595,097	1,471,694	7,545,866	-	11,432,233
Public sector deposits	**8,813,217**	**-**	**7,364,042**	**5,762,076**	**1,706,276**	**2,415,489**	**187,995**	**-**	**26,249,095**
Commercial deposits	**2,980,744**	**-**	**5,186,038**	**6,510,432**	**893,392**	**935,437**	**40,288**	**-**	**16,546,331**
Other	**3,942,935**	**-**	**1,107,213**	**3,325,545**	**1,658,781**	**90,207**	**221,300**	**-**	**10,345,981**
Precious metal deposits	**2,625,379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,625,379**
Bank deposits	**397,156**	**-**	**1,136,730**	**4,874,924**	**440,591**	**208,860**	**6,232**	**-**	**7,064,493**
Central Bank	1,678	-	-	-	-	-	-	-	1,678
Domestic banks	119,838	-	580,017	389,545	35,145	187,479	6,232	-	1,318,256
Foreign banks	110,676	-	245,174	3,952,058	6,068	21,381	-	-	4,335,357
Participation banks	164,964	-	311,539	533,321	399,378	-	-	-	1,409,202
Other	-	-	-	-	-	-	-	-	-
Total	**36,712,745**	**-**	**26,239,957**	**89,859,274**	**12,792,550**	**6,851,381**	**10,015,951**	**3,851**	**182,475,709**

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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Prior Period December 31, 2017	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	**6,056,971**	**-**	**3,050,910**	**31,050,795**	**2,289,658**	**270,480**	**177,229**	**2,178**	**42,898,221**
Foreign currency deposits	**7,190,052**	**-**	**2,538,293**	**24,512,375**	**1,965,662**	**2,017,138**	**7,100,230**	**-**	**45,323,750**
Residents in Turkey	6,808,852	-	2,536,245	24,058,549	1,430,203	720,911	998,723	-	36,553,483
Residents in abroad	381,200	-	2,048	453,826	535,459	1,296,227	6,101,507	-	8,770,267
Public sector deposits	**7,188,859**	**-**	**6,443,410**	**7,672,161**	**1,141,489**	**4,439,864**	**176,770**	**-**	**27,062,553**
Commercial deposits	**3,761,274**	**-**	**5,698,290**	**10,001,770**	**2,281,607**	**190,433**	**8,957**	**-**	**21,942,331**
Other	**3,834,320**	**-**	**982,513**	**3,345,561**	**1,163,948**	**21,913**	**32,402**	**-**	**9,380,657**
Precious metal deposits	**1,600,963**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,600,963**
Bank deposits	**491,073**	**-**	**7,033,739**	**2,058,712**	**18,565**	**59,147**	**118,155**	**-**	**9,779,391**
Central Bank	1,349	-	-	-	-	-	-	-	1,349
Domestic banks	140,492	-	6,644,460	947,960	18,565	-	-	-	7,751,477
Foreign banks	256,993	-	200,144	768,660	-	59,147	41,441	-	1,326,385
Participation banks	92,239	-	189,135	342,092	-	-	76,714	-	700,180
Other	-	-	-	-	-	-	-	-	-
Total	**30,123,512**	**-**	**25,747,155**	**78,641,374**	**8,860,929**	**6,998,975**	**7,613,743**	**2,178**	**157,987,866**

Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit

Current Period - December 31, 2018	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	26,391,734	27,471,951
Foreign currency saving deposits	8,642,215	25,316,190
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	**35,033,949**	**52,788,141**

Prior Period - December 31, 2017	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	21,807,725	21,090,496
Foreign currency saving deposits	6,571,401	15,854,203
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	**28,379,126**	**36,944,699**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Saving deposits out of insurance coverage limits

	Current Period – December 31, 2018
Deposits and other accounts at foreign branches	72,744
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	5,287
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-

	Prior Period – December 31, 2017
Deposits and other accounts at foreign branches	22,958
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	2,399
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-

2. Information on derivative financial liabilities held for trading purpose

Negative differences related to the derivative financial liabilities held for trading purpose

Current Period - December 31, 2018	**TL**	**FC**
Forwards	74,131	7,626
Swaps	2,010,204	419,013
Futures	-	-
Options	37,282	3,992
Other	-	-
Total	**2,121,617**	**430,631**

Prior Period - December 31, 2017	**TL**	**FC**
Forwards	19,903	5,240
Swaps	961,269	162,879
Futures	-	-
Options	30,336	915
Other	-	-
Total	**1,011,508**	**169,034**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3. Information on banks and other financial institutions

Current Period - December 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	431,595
Domestic banks and institutions	1,952,650	3,890,809
Foreign banks, institutions and funds	686,931	38,470,872
Total	**2,639,581**	**42,793,276**

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	235,102
Domestic banks and institutions	1,321,299	1,452,085
Foreign banks, institutions and funds	936,242	27,443,060
Total	**2,257,541**	**29,130,247**

Maturity information of funds borrowed

Current Period - December 31, 2018	TL	FC
Short-term [*]	1,662,836	4,479,579
Medium and Long-term [*]	976,745	38,313,697
Total	**2,639,581**	**42,793,276**

[*] Maturity profile of funds borrowed is prepared in accordance to their original maturities.

Prior Period - December 31, 2017	TL	FC
Short-term [*]	1,341,505	3,012,169
Medium and Long-term [*]	916,036	26,118,078
Total	**2,257,541**	**29,130,247**

[*] Maturity profile of funds borrowed has been prepared in accordance with their original maturities.

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 14.40% (December 31, 2017: 12.20%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On April 24, 2017, the loan has been renewed with a new syndicated loan amounting to US Dollar 188.5 million and Euro 716.5 million with the interest rate of US Libor + 1.15% and Euribor + 1.05% at a maturity of 367 days with participation of 37 banks, Bank of America Merrill Lynch International Limited and Emirates NBD Bank PJSC acting as coordinator, and, National Bank of Abu Dhabi PJSC acting as agent bank. On April 24, 2018, the loan has been renewed with a new syndicated loan amounting to US Dollar 100 million at a maturity of 735 days with the interest rate of US Libor +2.10% and US Dollar 229 million and Euro 778.75 million at a maturity of 367 days, with the interest rate of US Libor +1.30% and Euribor +1.20% with participation of 35 banks, Mizuho Bank, LTD and Emirates NBD Bank PJSC acting as coordinator, and first Abu Dhabi PJSC acting as agent bank.

On September 25, 2017, the loan has been provided with syndicated loan amounting US Dollar 131 million and Euro 634 million with the interest rate of US Libor + 1.35% and Euribor + 1.25% at a maturity 367 days with participation of 22 banks from 12 countries, ING Bank and Emirates NBD acting as coordinator, and ING Bank London Branch acting as agent bank. On November 21, 2018, the loan has been renewed with a new syndicated loan amounting US Dollar 122 million and Euro 528,5 with the interest rate of US Libor +2.75% and Euribor +2.65% for 1 year maturity and US Libor +3.50% for 2 year maturity at a maturity of 367 days and US Dollar 130 million at a maturity of 733 days with participation of 20 banks, NBD PJSC acting as both coordinator and agent bank.

On December 19, 2014, The Parent Bank has obtained securitization loan at the amount of US Dollar 928.6 million related to foreign transfers and treasury transactions in Euro and US Dollar. Loan amounting to US Dollar 500 million has been obtained related to foreign transfers at a maturity of five years and loan at the amount of US Dollar 428.6 million has been obtained related to treasury transactions at a maturity of seven years in seven different segments in total.

The loan obtained from European Bank for Reconstruction and Development (EBRD) amounting to US Dollar 125 million in 2014-A segment in order to finance medium term loans including to meet the needs of agricultural enterprises and support woman entrepreneurs.2014-B segment of the loan has been obtained from Wells Fargo Bank, N.A., 2014-C segment of the loan has been obtained from Raiffeisen Bank International AG, 2014-D segment of the loan has been obtained from Standard Chartered Bank, 2014-E segment of the loan has been obtained from Societe Generale, 2014-G segment of the loan has been obtained from Bank of America, N.A. and 2014-F segment of the loan related to treasury transactions has been obtained from JP Morgan Securities plc. in the scope of programme.

On October 4, 2016, The Parent Bank carried out a securitization transaction in the amount of USD 890 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years and USD 535 million based on treasury financing transactions was provided with 7 years maturity, based on foreign delegations of the loan provided in seven separate segments. Within the program, 2016-A segment was collected from SMBC, 2016-B segment from Wells Fargo Bank, 2016-C segment from Credit Suisse, 2016-D segment from Standard Chartered Bank, 2016-E segment from EBRD, 2016-F segment from JP Morgan and 2016-G segment from ING Bank. EBRD participated in the securitization loan with the TurSEFF II and TurSEFF III projects.

On May 4, 2018, The Parent Bank carried out a securitization transaction in the amount of USD 380 million equivalent in Euros and US Dollars based on foreign money transfers and treasury transactions as part of the securitization program. A total of USD 310 million was provided for 5 years maturity, in six separate segments. Within the program, 2016-A segment was collected from ING Bank, 2016-B segment from SMBC, 2016-C segment from Standard Chartered Bank, 2016-D segment from Raiffeisen Bank, 2016-E segment from Mizuho Bank, 2016-F segment from Société Générale. In addition to the transactions, The Parent Bank has carried out a securitisation transactions in the amount of USD 300 million with ICBC Standard Bank on October 5, 2018, and thus a funding of USD 680 million was provided in scope of the DPR program in 2018.

As of December 31, 2018, the total balance is equivalent of USD 1.492 million and EUR 319 million.

On March 3, 2017, under the coordination of ICBC Turkey AŞ, The Parent Bank signed a bilateral loan agreement with ICBC Dubai amounting USD 250 million with 3 years maturity, which will be used for trade finance purposes together with general purpose financial needs.

Information on securities issued

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Turkey's first Eurobond apart from Republic of Turkey Undersecretariat of Treasury. The bond has been issued in GMTN programme on June 17, 2014 has a nominal value of 500 million Euros, maturity date on June 17, 2019 with fixed rate, 5 years maturity and annually coupon paid with 3.65% return and coupon rate 3.50%.

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Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on October 27, 2016 has a nominal value of US Dollar 500 million, maturity date on October 27, 2021 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.50%.

Within the context of Global Medium Term Notes (GMTN), the Parent Bank has issued Eurobond. The bond has been issued in GMTN programme on May 30, 2017 has a nominal value of US Dollar 500 million, maturity date on May 30, 2022 with fixed rate, 5 years maturity and semi-annually coupon paid and coupon rate 5.625%.

At January 30, 2018, the Parent Bank has issued a new bond with a maturity of 5 years with a coupon rate of 5.75%, and a final yield of 5.85% amounting to USD 650 million. This transaction has been the highest consistent bond issuance transaction The Parent Bank has ever undertaken. The total demand from over 150 investors in the export has exceeded 1.5 billion dollars.

The context of Global Medium Term Notes (GMTN), The Parent Bank has issued 234 private placements with 19 different banks from 2013 June on .This private placements have issued several currencies as of (US Dollar,Euro,Swiss Frank and Japanese Yen) and the maturities are 3 months, 6 months, 1 year and 2 years. The Parent Bank has issued 4,896 million US Dollar private placements as of the date of December 31, 2018. The total private placements are 5 million Euros as of the same date on.

The Parent Bank has issued Turkey's first Euro covered bond on May 4, 2016. The bond has been issued on May 4, 2016 has nominal value of 500 million Euros, maturity date on May 4, 2021 with fixed rate, 5 years maturity and annually interest paid with coupon rate 2.375% and 2.578% rate of return.

On October 9, 2017, the Parent Bank had issued a private placement for the qualified foreign institutional investor within the context of Global Medium Term Notes (GMTN), with 5.5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

The Parent Bank had realized the second Global Medium Term Notes (GMTN) on December 14, 2017 with HSBC Bank Plc with with 5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

On February 28, 2018, the Bank conducted a five year maturity Covered Bond transaction with a nominal value of TL 1,000 million, which was allocated to qualified investors abroad.

On December 7, 2018 the Bank issued the second transaction of 2018 abroad with a nominal value of TL 1,000 million and 5 years of maturity. Thus, the Covered Bond issuences reached TL 7.7 billion.

	TL		FC	
Current Period - December 31, 2018	**Short Term**	**Medium-Long Term**	**Short Term**	**Medium-Long Term**
Nominal	4,502,977	3,666,000	-	14,462,438
Cost	4,253,208	3,666,000	-	14,390,145
Net Book Value	4,382,207	3,729,376	-	14,660,908

	TL		FC	
Prior Period - December 31, 2017	**Short Term**	**Medium-Long Term**	**Short Term**	**Medium-Long Term**
Nominal	4,189,913	2,816,000	98,149	12,697,366
Cost	4,016,622	2,816,000	98,149	12,625,204
Net Book Value	4,090,998	2,876,546	98,742	12,804,473

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

4.Components of "other external resources payable" in the consolidated financials that comprise at least 20% of the account, if the account exceeds 10% of total liabilities and equity excluding off-balance sheet commitments.

Other external resources payable in the consolidated financials do not exceed 10% of total liabilities and equity.

5. Criteria used in the determination of lease instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Obligations under finance leases

None.

6. Information on derivative financial liabilities held for risk management purpose

Negative differences related to the derivative financial liabilities held for risk management purpose

None.

7. Information on provisions

Information on general provisions

	Prior Period - December 31, 2017
Provisions for loans and receivables in Group I	1,527,551
-Additional provision for loans with extended payment plans	67,249
Provisions for loans and receivables in Group II	181,119
-Additional provision for loans with extended payment plans	32,611
Provisions for non-cash loans	137,421
Other	39,402
Total	**1,885,493**

Information on employee rights

According to the TAS-19- Judgments of benefits that are provided to employees, bank accounts and calculate provision to obligations of severance pay and allowance rights.

As of December 31, 2018, TL 458,222 (December 31, 2017: TL 413,371) provision for severance pay and TL 151,143 (December 31, 2017: TL 107,986) provision for unused vacation are stated in financial statements under employee rights provision.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Movement of severance pay provision in the period:

	Current Period - December 31, 2018
Opening balance	**413,371**
Current service cost	39,450
Previous service cost	(7,414)
Interest cost	47,063
Paid compensation	(53,882)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	6,026
Actuary loss/(gain)	13,278
Net foreign exchange differences from foreign subsidiaries	546
Other Changes (*)	(216)
Closing balance	**458,222**

(*) Vakıf Portföy Yönetimi AŞ, a subsidiary of the Bank, has been classified as financial assets held for sale in the current year, provision for severance pay is deducted from the line.

	Prior Period - December 31, 2017
Opening balance	**395,650**
Current service cost	39,480
Previous service cost	8,866
Interest cost	40,470
Paid compensation	(42,544)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	(569)
Actuary loss/(gain)	(28,363)
Net foreign exchange differences from foreign subsidiaries	381
Closing balance	**413,371**

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Information on pension rights

The Fund's technical financial statements are inspected by an actuary who is registered to the actuaries registry, in accordance with the Insurance Law no. 5684, article 21, and the "Actuaries Regulations" published referring to the mentioned article. According to the actuary report dated January 2019, there are no technical or actual deficits that requires making any provision.

Transferable retirement and health liabilities	**Current Period – December 31, 2018**
Net Present Value of Transferable Retirement Liabilities	(6,942,347)
Net Present Value of Transferable Retirement and Health Contributions	5,148,673
General Administration Expenses	(69,423)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,863,097)
Fair Value of Plan Assets (2)	5,029,717
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,166,620

Transferable retirement and health liabilities	**Previous Period – December 31, 2017**
Net Present Value of Transferable Retirement Liabilities	(5,495,589)
Net Present Value of Transferable Retirement and Health Contributions	4,317,510
General Administration Expenses	(99,503)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,277,583)
Fair Value of Plan Assets (2)	5,360,551
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,082,968

Actuarial assumptions used in valuation of Non Transferable Benefits based on TAS 19 are as follows:

Discount Rates	**Current Period - December 31, 2018**
Transferable Benefits to SSI	9.80%
Non Transferable Benefits	2.50%

Discount Rates	**Previous Period - December 31, 2017**
Transferable Benefits to SSI	9.80%
Non Transferable Benefits	2.50%

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Distribution of total assets of the Retirement Fund as of December 31, 2018 and December 31, 2017 is presented below:

	Current Period - December 31, 2018
Bank placements	2,453,589
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	659,361
Tangible assets(*)	1,723,955
Other	192,812
Total	**5,029,717**

	Previous Period - December 31, 2017
Bank placements	2,290,956
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	362,512
Tangible assets(*)	2,517,925
Other	189,158
Total	**5,360,551**

(*) The Tangible assets value indicates all the stocks' and real estate properties' market values, as of December, 31, 2017.

Provision for currency exchange loss on foreign currency indexed loans

	Current Period - December 31, 2018
Provision for currency exchange loss on foreign currency indexed loans	32

	Prior Period - December 31, 2017
Provision for currency exchange loss on foreign currency indexed loans	10,253

The Group has recorded provision amounting to TL 32 (December 31, 2017: TL 10,253) for foreign exchange losses on principal amounts of foreign currency indexed loans and reflected the related foreign exchange loss amount in the financial statements by offsetting from related loans.

Provisions for non-cash loans that are not indemnified and not converted into cash

As of December 31, 2018, the Parent Bank has recorded TL 26,739 (December 31, 2017: TL 75,942) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of December 31, 2018, free provision amounting to TL 1,030,000 of which TL 530,000 was recognized as expense in the current period and TL 500,000 had been recognized as expense in prior period, which is not in accordance with the reporting standards, provided by the Bank management in line with the conservatism principle considering the possible effect of the circumtances that may arise from the negative changes in the economy and market conditions. (31 December 2017: TL 500,000)

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Information on insurance technical provisions

	Current Period - December 31, 2018
Unearned Premium Reserves	1,180,901
Outstanding Claims Reserves	1,919,637
Life Mathematical Reserves	302,494
Other	44,030
Total	**3,447,062**

	Prior Period - December 31, 2017
Unearned Premium Reserves	961,880
Outstanding Claims Reserves	1,353,675
Life Mathematical Reserves	304,770
Other	25,193
Total	**2,645,518**

8. Taxation

Current Taxes

As at and for the year ended December 31, 2018, the tax liability of the Group is amounting to TL 317,754 (December 31, 2017: TL 323,837).

Information on taxes payable

	Current Period - December 31, 2018
Corporate taxes payable	317,754
Taxation on securities	237,984
Capital gains tax on property	3,258
Taxes on foreign exchange transactions	-
Banking and Insurance Transaction Tax (BITT)	207,040
Value added tax payable	6,834
Other	75,332
Total	**848,202**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Prior Period - December 31, 2017
Corporate taxes payable	323,837
Taxation on securities	160,257
Capital gains tax on property	3,493
Taxes on foreign exchange transactions	-
Banking and Insurance Transaction Tax (BITT)	124,488
Value added tax payable	6,100
Other	59,620
Total	**677,795**

Information on premiums payable

	Current Period - December 31, 2018
Social security premiums- employee share	1,442
Social security premiums- employer share	3,938
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	25
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	1
Unemployment insurance- employee share	1,106
Unemployment insurance- employer share	2,436
Other	14
Total	**8,962**

	Prior Period - December 31, 2017
Social security premiums- employee share	1,407
Social security premiums- employer share	4,488
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	32
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	7
Unemployment insurance- employee share	918
Unemployment insurance- employer share	2,106
Other	50
Total	**9,008**

Information on deferred tax liabilities

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

9. Information on payables for assets held for resale and tangible assets related to discounted activities

As of December 31, 2018, the Group has liabilities amounting to TL 1,546 related to non-current assets "held for sale" and discontinued operations. (December 31, 2017: None).

10. Information on subordinated loans

The Parent Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on November 1, 2012, on December 3, 2012 the Parent Bank has realized second trance at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

The Bank has issued secondary subordinated loan (Tier II bond) as at January 2015 which contains Basel-III criteria. In this context, the bond has been issued at the nominal value of US Dollar 500 million with the maturity date of February 3, 2025 and early call option date of February 3, 2020. The bond has fixed interest, 10 years and one day maturity, two times interest payment in a year with coupon rate of 6.875% and issue yield of 6.95%.

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 228 million which issued abroad, with the new Basel III compliant conditions, was completed on February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

On September 18, 2017, the Parent Bank had issued a floating rated subordinated bond (secondary capital) for the qualified domestic institutional investor with nominal value of 525 million Turkish Liras, that has the maturity of 10 years, that is recallable in 5 years, and has quarterly coupon payments.

On September 27, 2018, the Parent Bank had issued a fixed rate subordinated bond (secondary capital) with nominal value of 4,994 million Turkish Liras that is undated and recallable at the end of 5 years and has semiannual coupon payments.

Stated bonds' total balance sheet value is TL 13,022,023 as of December 31, 2018 (December 31, 2017: TL 5,917,137).

Current Period - 31 Aralık 2018	**TL**	**FC**
Debt instruments to be included in the additional capital calculation	**5,138,704**	**-**
Subordinated Loans	-	-
Subordinated Debt Instruments	5,138,704	-
Debt instruments to be included in the additional capital calculation	**529,417**	**7,353,902**
Subordinated Loans	-	-
Subordinated Debt Instruments	529,417	7,353,902
Total	**5,668,121**	**7,353,902**

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11. Information on shareholders' equity

Paid-in capital

	Current Period - December 31, 2018
Common stock	2,500,000
Preferred stock	-

	Prior Period - December 31, 2017
Common stock	2,500,000
Preferred stock	-

Paid-in capital of the Parent Bank amounted to TL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6% Group (B), 16.2% Group (C) and 25.2% Group (D).

Members of the Board of Directors, three members of the group (A), one member of the group (B) and two members of the group (C) are selected from among the candidates nominated by the majority of their group, among the candidates proposed by the partners, from among the candidates elected by the General Assembly, one of the candidates proposed by the partners, taking into consideration the preferences of a group of members (D), elected by the General Assembly from among the candidates nominated by the two members.

Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the parent bank; if so the amount of registered share capital

Capital System	**Paid-in Capital**	**Ceiling per Registered Share Capital**
Registered capital system	2,500,000	10,000,000

At the resolutions of Board of Directors dated January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, the Parent Bank's ceiling per registered share capital has been increased from TL 5,000,000 to TL 10,000,000.

Information on share capital increases and their sources; other information on any increase in capital shares during the current period

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period and its general purpose and estimated sources that are required for commitments

None

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

Current Period - December 31, 2018	**TL**	**FC**
Associates, subsidiaries and joint ventures	438,620	-
Financial assets at fair value through other comprehensive income	(126,892)	9,123
Foreign exchange differences	-	-
Total	**311,728**	**9,123**

Prior Period - December 31, 2017	**TL**	**FC**
Associates, subsidiaries and joint ventures	61,709	-
Fair value differences of available-for-sale securities	(302,087)	177,252
Foreign exchange differences	-	-
Total	**(240,378)**	**177,252**

III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period - December 31, 2018
Commitments for credit card limits	13,549,649
Loan granting commitments	14,105,349
Commitments for cheque payments	1,979,217
Asset purchase sale commitments	3,754,254
Other	3,088,958
Total	**36,477,427**

	Prior Period - December 31, 2017
Commitments for credit card limits	10,534,862
Loan granting commitments	11,918,133
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	3,609,820
Total	**30,360,725**

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Type and amount of possible losses from off-balance sheet items

Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral

The Parent Bank provided specific provision amounting to TL 26,739 (December 31, 2017: TL 75,942) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items amounting to TL 258,210 (December 31, 2017: TL 169,355).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period - December 31, 2018
Final letters of guarantee	18,753,120
Letters of guarantee for advances	6,838,656
Letters of guarantee given to custom offices	1,314,771
Provisional letters of guarantee	1,913,828
Other letters of guarantee	23,132,521
Total	**51,952,896**

	Prior Period - December 31, 2017
Final letters of guarantee	14,073,061
Letters of guarantee for advances	6,684,317
Letters of guarantee given to custom offices	1,053,872
Provisional letters of guarantee	1,180,248
Other letters of guarantee	17,179,490
Total	**40,170,988**

2. Non-cash loans

	Current Period - December 31, 2018
Non-cash loans given for cash loan risks	10,058,836
With original maturity of 1 year or less	*3,334,315*
With original maturity of more than 1 year	*6,724,521*
Other non-cash loans	55,970,161
Total	**66,028,997**

	Prior Period - December 31, 2017
Non-cash loans given for cash loan risks	3,771,138
With original maturity of 1 year or less	*1,216,243*
With original maturity of more than 1 year	*2,554,895*
Other non-cash loans	47,552,564
Total	**51,323,702**

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3. Sectoral risk concentrations of non-cash loans

Current Period - December 31, 2018	TL	%	FC	%
Agricultural	**32,052**	**0.08**	**59,331**	**0.21**
Farming and Cattle	29,692	0.08	59,331	0.21
Forestry	1,698	-	-	-
Fishing	662	-	-	-
Manufacturing	**12,489,776**	**33.19**	**14,033,362**	**49.41**
Mining	218,076	0.58	126,887	0.45
Production	8,147,262	21.65	13,170,945	46.37
Electric, gas and water	4,124,438	10.96	735,530	2.59
Construction	**7,726,291**	**20.53**	**5,137,296**	**18.09**
Services	**15,650,807**	**41.60**	**7,037,312**	**24.77**
Wholesale and retail trade	5,545,235	14.74	4,032,534	14.20
Hotel, food and beverage Services	336,135	0.89	245,307	0.86
Transportation and telecommunication	1,986,293	5.28	1,123,275	3.95
Financial institutions	4,361,969	11.59	94,814	0.33
Real estate and renting Services	1,663,203	4.42	402,537	1.42
Self-employment services	1,455,236	3.87	456,663	1.61
Education services	51,743	0.14	4,085	0.01
Health and social services	250,993	0.67	678,097	2.39
Other	**1,727,370**	**4.60**	**2,135,400**	**7.52**
Total	**37,626,296**	**100.00**	**28,402,701**	**100.00**

Prior Period - December 31, 2017	TL	%	FC	%
Agricultural	**40,142**	**0.12**	**20,449**	**0.11**
Farming and Cattle	35,606	0.11	20,449	0.11
Forestry	3,213	0.01	-	-
Fishing	1,323	-	-	-
Manufacturing	**12,256,698**	**37.53**	**7,292,016**	**39.06**
Mining	281,602	0.86	175,494	0.94
Production	7,930,683	24.29	6,505,402	34.85
Electric, gas and water	4,044,413	12.38	611,120	3.27
Construction	**4,855,489**	**14.87**	**1,577,187**	**8.45**
Services	**13,929,661**	**42.66**	**5,399,060**	**28.92**
Wholesale and retail trade	5,412,904	16.58	3,084,829	16.53
Hotel, food and beverage Services	269,673	0.83	18,654	0.10
Transportation and telecommunication	1,530,254	4.69	754,908	4.04
Financial institutions	3,537,700	10.83	437,710	2.34
Real estate and renting Services	1,558,909	4.77	408,524	2.19
Self-employment services	1,439,047	4.41	682,660	3.66
Education services	37,182	0.11	8,202	0.04
Health and social services	143,992	0.44	3,573	0.02
Other	**1,574,354**	**4.82**	**4,378,646**	**23.46**
Total	**32,656,344**	**100.00**	**18,667,358**	**100.00**

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4. Information on the non-cash loans classified as first and second group

	Group I		Group II	
Current Period - December 31, 2018	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	35,786,714	14,727,183	875,085	321,894
Confirmed bills of exchange and acceptances	7,815	2,948,104	-	-
Letters of credit	51,010	10,141,626	-	7,151
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	243,674	127,759	-	-
Other guarantees and sureties	410,702	122,070	-	-
Total Non-Cash Loans	**36,499,915**	**28,066,742**	**875,085**	**329,045**

	Group I		Group II	
Prior Period - December 31, 2017	**TL**	**FC**	**TL**	**FC**
Letters of guarantee	31,630,753	8,022,283	240,831	110,773
Confirmed bills of exchange and acceptances	44,700	1,510,854	-	-
Letters of credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	225,380	7,528	-	-
Other guarantees and sureties	321,042	46,052	-	-
Total Non-Cash Loans	**32,252,036**	**18,546,184**	**240,831**	**115,296**

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5. Information on derivative transactions

	Current Period - December 31, 2018
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	**46,493,564**
Currency Forwards	2,744,719
Currency Swaps	41,266,318
Currency Futures	-
Currency Options	2,482,527
Interest Rate Derivative Transactions (II)	**46,832,308**
Interest Rate Forwards	-
Interest Rate Swaps	46,832,308
Interest Rate Options	-
Interest Rate Futures	-
Other Trading Derivatives (III)	**17,683,118**
A. Total Trading Derivatives (I+II+III)	**111,008,990**
Hedging Derivatives	**-**
Fair Value Hedges	-
Cash Flow Hedges	-
Hedges for Foreign Currency Investments	-
B. Total Hedging Derivatives	**-**
Derivative Transactions (A+B)	**111,008,990**

	Prior Period - December 31, 2017
Trading Derivatives	
Foreign Currency Related Derivative Transactions (I)	**28,048,820**
Currency Forwards	2,770,498
Currency Swaps	24,420,686
Currency Futures	-
Currency Options	857,636
Interest Rate Derivative Transactions (II)	**16,961,096**
Interest Rate Forwards	-
Interest Rate Swaps	16,961,096
Interest Rate Options	-
Securities Call Put Options	-
Interest Rate Futures	-
Other Trading Derivatives (III)	**16,340,947**
A. Total Trading Derivatives (I+II+III)	**61,350,863**
Hedging Derivatives	**-**
Fair Value Hedges	-
Cash Flow Hedges	-
Hedges for Foreign Currency Investments	-
B. Total Hedging Derivatives	**-**
Derivative Transactions (A+B)	**61,350,863**

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Current Period - December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	9,999,599	884,162	2,067,889	241,548	-	13,193,198
Sale	7,084,492	890,248	1,965,785	202,080	-	10,142,605
Currency forwards:						
Purchase	289,468	299,945	761,559	23,151	-	1,374,123
Sale	288,694	298,892	759,874	23,136	-	1,370,596
Cross currency interest rate swaps:						
Purchase	105,600	-	556,431	8,492,044	502,138	9,656,213
Sale	47,002	-	235,455	7,575,851	415,994	8,274,302
Interest rate swaps:						
Purchase	-	-	50,000	9,243,910	14,122,244	23,416,154
Sale	-	-	50,000	9,243,910	14,122,244	23,416,154
Options:						
Purchase	334,764	50,487	830,025	-	-	1,215,276
Sale	348,761	59,812	858,678	-	-	1,267,251
Other trading derivatives:						
Purchase	-	422,400	-	6,324,292	1,774,159	8,520,851
Sale	2,975,026	305,901	-	4,428,802	1,452,538	9,162,267
Total purchases	**10,729,431**	**1,656,994**	**4,265,904**	**24,324,945**	**16,398,541**	**57,375,815**
Total sales	**10,743,975**	**1,554,853**	**3,869,792**	**21,473,779**	**15,990,776**	**53,633,175**
Total	**21,473,406**	**3,211,847**	**8,135,696**	**45,798,724**	**32,389,317**	**111,008,990**

Prior Period - December 31, 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	3,321,304	3,044,756	908,460	271,380	-	7,545,900
Sale	718,359	795,056	899,832	287,826	-	2,701,073
Currency forwards:						
Purchase	191,078	237,194	861,239	96,150	-	1,385,661
Sale	190,999	237,075	860,677	96,086	-	1,384,837
Cross currency interest rate swaps:						
Purchase	264,597	37,800	303,700	6,677,071	140,118	7,423,286
Sale	161,595	25,580	303,700	6,126,870	132,682	6,750,427
Interest rate swaps:						
Purchase	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Sale	100,000	100,000	-	4,262,921	4,017,627	8,480,548
Options:						
Purchase	333,265	19,141	73,700	-	-	426,106
Sale	336,538	19,392	75,600	-	-	431,530
Other trading derivatives:						
Purchase	38,820	75,600	415,800	2,683,002	3,430,128	6,643,350
Sale	2,646,434	2,316,290	326,755	1,945,000	2,463,118	9,697,597
Total purchases	**4,249,064**	**3,514,491**	**2,562,899**	**13,990,524**	**7,587,873**	**31,904,851**
Total sales	**4,153,925**	**3,493,393**	**2,466,564**	**12,718,703**	**6,613,427**	**29,446,012**
Total	**8,402,989**	**7,007,884**	**5,029,463**	**26,709,227**	**14,201,300**	**61,350,863**

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6. Contingent assets and liabilities

Group allocates TL 13,417 as provision for lawsuits against the Group (December 31, 2017: TL 5,871).

7. Services rendered on behalf of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers do not present a material portion.

IV. INFORMATION ON DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME

1. Interest income

Information on interest income received from loans

Current Period - December 31, 2018	TL	FC
Short-term loans	8,560,973	436,461
Medium and long-term loans	14,395,759	4,162,635
Non-performing loans	346,695	-
Premiums received from resource utilization support fund	-	-
Total	**23,303,427**	**4,599,096**

Prior Period - December 31, 2017	TL	FC
Short-term loans	4,818,618	214,105
Medium and long-term loans	10,638,423	2,507,378
Non-performing loans	137,052	-
Premiums received from resource utilization support fund	-	-
Total	**15,594,093**	**2,721,483**

Information on interest income received from banks

Current Period - December 31, 2018	TL	FC
Central Bank of the Republic of Turkey	-	1,004
Domestic Banks	156,626	25,470
Foreign Banks	1,752	145,000
Foreign Head Office and Branches	-	-
Total	**158,378**	**171,474**

Prior Period - December 31, 2017	TL	FC
Central Bank of the Republic of Turkey	-	6
Domestic Banks	164,088	5,711
Foreign Banks	651	40,240
Foreign Head Office and Branches	-	-
Total	**164,739**	**45,957**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Information on interest income received from marketable securities portfolio

Current Period - December 31, 2018	**TL**	**FC**
Financial assets at fair value through profit or loss	14,656	487
Financial assets at fair value through other comprehensive income	976,761	74,246
Financial assets measured at amortised cost	4,648,680	375,482
Total	**5,640,097**	**450,215**

Prior Period - December 31, 2017	**TL**	**FC**
Financial assets held for trading	18,182	869
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	1,481,282	253,931
Investments held to maturity	1,111,569	48,705
Total	**2,611,033**	**303,505**

Information on interest income received from associates and subsidiaries

	Current Period - December 31, 2018
Interest Received from Associates and Subsidiaries	-

	Prior Period - December 31, 2017
Interest Received from Associates and Subsidiaries	-

2. Interest Expense

Interest expense on funds borrowed

Current Period - December 31, 2018	**TL**	**FC**
Banks	**364,160**	**1,157,355**
Central Bank of the Republic of Turkey	-	1,084
Domestic Banks	259,028	77,846
Foreign Banks	105,132	1,078,425
Foreign Head Offices and Branches	-	-
Other Institutions	**-**	**78,259**
Total	**364,160**	**1,235,614**

Prior Period - December 31, 2017	**TL**	**FC**
Banks	**192,335**	**594,784**
Central Bank of the Republic of Turkey	-	99
Domestic Banks	114,994	25,392
Foreign Banks	77,341	569,293
Foreign Head Offices and Branches	-	-
Other Institutions	**-**	**53,953**
Total	**192,335**	**648,737**

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Interest expense paid to associates and subsidiaries

	Current Period - December 31, 2018
Interests paid to the associates and subsidiaries	218,774

	Prior Period - December 31, 2017
Interests paid to the associates and subsidiaries	132,348

Interest expense on securities issued

As at and for the year ended at December 31, 2018, interest paid to securities issued is TL 2,094,967 (December 31, 2017: TL 1,059,739).

Maturity structure of the interest expense on deposits

		Time Deposits						
Current Period - December 31, 2018	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**More than 1 Year**	**Cumulative deposit**	**Total**
TL								
Interbank deposits	-	95,442	281,671	4,132	11,837	8,636	-	401,718
Saving deposits	-	843,986	6,018,483	411,605	70,679	39,013	295	7,384,061
Public sector deposits	15,574	541,525	907,095	138,568	538,800	20,918	-	2,162,480
Commercial deposits	43	726,432	1,869,346	248,098	85,321	2,642	-	2,931,882
Other deposits	-	82,449	574,635	143,725	41,503	13,069	-	855,381
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	**15,617**	**2,289,834**	**9,651,230**	**946,128**	**748,140**	**84,278**	**295**	**13,735,522**
FC								
Foreign Currency deposits	26,390	68,707	1,232,494	82,081	45,467	190,329	-	1,645,468
Interbank deposits	8,322	565	118,430	27,172	1,939	-	-	156,428
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	**34,712**	**69,272**	**1,350,924**	**109,253**	**47,406**	**190,329**	**-**	**1,801,896**
Grand Total	**50,329**	**2,359,106**	**11,002,154**	**1,055,381**	**795,546**	**274,607**	**295**	**15,537,418**

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				Time Deposits				
Prior Period - December 31, 2017	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**More than 1 Year**	**Cumulative deposit**	**Total**
TL								
Interbank deposits	-	4,583	181,129	3,707	-	-	-	189,419
Saving deposits	-	278,663	3,336,384	226,701	32,556	16,695	119	3,891,118
Public sector deposits	9,611	362,078	699,671	111,071	375,522	20,612	-	1,578,565
Commercial deposits	87	509,951	1,211,479	247,147	22,461	793	-	1,991,918
Other deposits	-	84,740	374,560	154,694	7,720	1,302	-	623,016
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	**9,698**	**1,240,015**	**5,803,223**	**743,320**	**438,259**	**39,402**	**119**	**8,274,036**
FC								
Foreign currency deposits	21,775	25,633	641,645	47,405	29,271	112,830	-	878,559
Interbank deposits	2,812	6,046	19,432	464	5,313	13,958	-	48,025
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	**24,587**	**31,679**	**661,077**	**47,869**	**34,584**	**126,788**	**-**	**926,584**
Grand Total	**34,285**	**1,271,694**	**6,464,300**	**791,189**	**472,843**	**166,190**	**119**	**9,200,620**

3. Dividend Income

	Current Period - December 31, 2018
Financial assets at fair value through profit or loss	419
Financial assets at fair value through other comprehensive income	-
Investments in Associates	49,592
Total	**50,011**

	Prior Period - December 31, 2017
Trading Purpose Financial Assets	80
Financial Assets at Fair Value through Profit or Loss	-
Available-for-Sale Financial Assets	234
Investments in Associates	47,167
Total	**47,481**

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4. Information on trading income/losses

	Current Period - December 31, 2018
Income	**31,381,691**
Income from capital market operations	5,110,076
Income from derivative financial instruments	11,208,820
Foreign exchange gains	15,062,795
Losses	**(30,558,861)**
Loss from capital market operations	(4,951,953)
Loss from derivative financial instruments	(10,937,763)
Foreign exchange loss	(14,669,145)
Net trading profit/loss	**822,830**

	Prior Period - December 31, 2017
Income	**14,405,506**
Income from capital market operations	5,126,139
Income from derivative financial instruments	3,763,265
Foreign exchange gains	5,516,102
Losses	**(14,211,059)**
Loss from capital market operations	(5,077,693)
Loss from derivative financial instruments	(3,778,946)
Foreign exchange loss	(5,354,420)
Net trading profit/loss	**194,447**

Net loss arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 94,499 as at and for the year ended December 31, 2018 (December 31, 2017: net loss of TL 110,499).

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5. Information on other operating income

	Current Period - December 31, 2018
Income from reversal of the specific provisions for loans from prior periods	938,450
Income from reversal of the general provisions for loans from prior periods	801,200
Earned insurance premiums (net of reinsurance share)	1,346,870
Communication income	36,269
Gain on sale of assets	210,465
Income from private pension business	165,143
Rent income	192,039
Other income	255,007
Total	**3,945,443**

	Prior Period - December 31, 2017
Income from reversal of the specific provisions for loans from prior periods	937,669
Earned insurance premiums (net of reinsurance share)	1,207,630
Communication income	43,602
Gain on sale of assets	149,607
Income from private pension business	102,575
Rent income	770
Other income	643,392
Total	**3,085,245**

6. Expected Credit Loss

	Current Period - December 31, 2018
Expected Credit Loss	**4,508,666**
12 month expected credit loss (stage 1)	439,365
Significant increase in credit risk (stage 2)	995,402
Non-performing loans (stage 3)	3,073,899
Marketable Securities Impairment Expense	**4,603**
Financial Assets at Fair Value through Profit or Loss	1,566
Financial Assets at Fair Value Through Other Comprehensive Income	3,037
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**-**
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	**530,000**
Total	**5,043,269**

(*) As of December 31, 2018, the Bank has provided a free provision amounting to TL 530,000 in 2018, in addition to TL 500,000 free provision, which was allocated in 2018 within the framework of the precautionary principle.

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Provision expenses for losses on loans and other receivables

	Prior Period - December 31, 2017
Specific provisions on loans and other receivables	2,214,490
Loans and receivables in Group III	*495,617*
Loans and receivables in Group IV	*595,073*
Loans and receivables in Group V	*1,123,800*
Non-performing commissions and other receivables	-
General provision expenses	208
Provision for possible losses	500,000
Impairment losses on securities:	550
Trading securities	*126*
Investment securities available-for-sale	*424*
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	29,147
Associates	-
Subsidiaries	*2,525*
Joint ventures	-
Investment securities held-to-maturity	*26,622*
Other(*)	98,163
Total	**2,842,558**

(*) Other Provision expenses amounting to 98,163 TL is comprised of provision for non-cash loans tha are not indemnified or converted into cash and provision for cheques amounting to 48,866 TL, provision expenses related to retail loans amounting to 14,793 TL and provision for other expenses amounting to 34,504 TL.

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7.Information on other operating expenses

	Current Period – December 31, 2018
Personnel Costs	2,452,360
Reserve for Employee Termination Benefits	25,881
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	13,006
Depreciation Expenses on Tangible Assets	176,923
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	32,632
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses on Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	13,632
Other Operating Expenses	3,140,934
Operational lease expenses	*309,686*
Repair and maintenance expenses	*63,461*
Advertisement expenses	*182,176*
Other expenses	*2,585,611*
Loss on sale of assets	4,647
Other (*)	1,860,357
Total	**7,720,372**

(*) Other operating expenses amounting to TL 1,860,357 is comprised of provision expenses for dividends to the personnel amounting to TL 276,496 tax, fees and funds expenses amounting to TL 369,491 ,Saving Deposits Insurance Fund expenses amounting to TL 197,864 Compensation pensions amounting to TL 13,107 cumulative/ noncumulative commission expenses amounting to TL 96,101, production commission expenses to TL 240,480 and other expenses amounting to TL 666,818.

	Prior Period - December 31, 2017
Personnel costs	1,979,798
Reserve for employee termination benefits	49,531
Provision for deficit in pension funds	-
Impairment losses on tangible assets	-
Depreciation expenses on tangible assets	150,160
Impairment losses on intangible assets	-
Amortization expenses on intangible assets	30,270
Impairment losses on assets to be disposed	-
Depreciation expenses on assets to be disposed	-
Impairment losses on assets held for sale	-
Other operating expenses	2,413,794
Operational lease related expenses	*258,477*
Repair and maintenance expenses	*68,416*
Advertisement expenses	*129,056*
Other expenses	*1,957,845*
Loss on sale of assets	2,302
Other(*)	1,108,292
Total	**5,734,147**

(*) Other operating expenses amounting to TL 1,108,292 is comprised of provision expenses for dividends to the personnel amounting to TL 168,500, tax, fees and funds expenses amounting to TL 163,010, Saving Deposits Insurance Fund expenses amounting to TL 168,783, Compensation pensions amounting to TL 9,807, cumulative/ noncumulative commission expenses amounting to TL 91,727, production commission expenses toTL 251,574 and other expenses amounting to TL 254,891

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8. Information on income/loss from discontinued and continuing operations

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-6 in this section. The Group has no discontinued operations.

9. Information on tax provision from discontinued and continuing operations

Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section. The Group has no discontinued operations.

10. Information on net profit/loss from discontinued and continuing operations

Information on net profit/loss from continuing operations is presented in disclosures 1-12 in this section. The Group has no discontinued operations.

11. Provision for taxes

Current year taxation benefit or charge and deferred tax benefit or charge

In the current period, the Group recorded a tax provision of TL 840,854 (December 31, 2017: TL 831,655) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

The details of the deferred tax expense of the Group are shown in the table below.

Deferred tax charge arising from temporary differences, tax losses and unused tax credits

Sources of deferred tax benefit/charge	Current Period - December 31, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	152,659
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(397,100)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	**(244,441)**

Sources of deferred tax benefit/charge	Prior Period - December 31, 2017
Arising from Origination / (Reversal) of Deductible Temporary Differences	(48,316)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(112,056)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	**(160,372)**

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The table of the tax provision reconciliation for the years December 31, 2018 and December 31, 2017 is as below.

	Current Period - December 31, 2018
Profit before tax	**5,689,773**
Tax calculated with legal tax rate (*)	978,161
Non-deductible expenses, discounts and other, net	107,134
Total	**1,085,295**

	Prior Period - December 31, 2017
Profit before tax	**4,957,892**
Tax calculated with legal tax rate	804,637
Non-deductible expenses, discounts, additions and others (net)	187,390
Tax Provision Expense on Continuing Operations	**992,027**

(*) Different tax rates are used in the subsidiaries of the parent bank operating abroad, there are corparete tax exemptions on earnings of some subsidiaries operating in Turkey.

12. Information on net profit and loss

The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period

Group has incurred TL 34,957,243 interest income and TL 23,529,737 interest expense, also incurred TL 2,151,048 amount of net fee and commission income from its ordinary banking operations (December 31, 2017: TL 22,045,179 interest income, TL 13,073,305 interest expense, TL 1,235,550 net fee and commission income).

Any changes in estimations, that might have a material effect on current and subsequent period, is indicated

None.

13. Income/loss related to non-controlling interest

	Current Period - December 31, 2018
Income/(losses) related to non-controlling interest	60,200

	Prior Period - December 31, 2017
Income/(losses) related to non-controlling interest	84,914

14. Information related to the sub-accounts which constitute at least 20% of other items, in case of the components of other items in the income statement exceeding 10% of the group total

Other fees and commission income of the Group mainly consist of credit card fees and commissions, money transfer commissions, research fees.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions, commission paid for funds borrowed from foreign banks.

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V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Information on increases that occur after revaluation of available-for-sale investments

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

Valuation Differences of Marketable Securities	Current Period - December 31, 2018
Valuation differences at the beginning of the year	(124,835)
Fair value changes in the current year	(8,909)
Valuation differences transferred to the statement of income	24,663
Effect of deferred and corporate taxes	(8,688)
Valuation differences at the end of the year	**(117,769)**

Valuation Differences of Marketable Securities	Prior Period - December 31, 2017
Valuation differences at the beginning of the year	(195,457)
Fair value changes in the current year	120,429
Valuation differences transferred to the statement of income	(34,098)
Effect of deferred and corporate taxes	(15,709)
Valuation differences at the end of the year	**(124,835)**

Valuation Difference of the Subsidiaries and Affiliates	Current Period - December 31, 2018
Valuation differences at the beginning of the year	61,709
Fair value changes in the current year	375,830
Valuation differences transferred to the statement of income	-
Effect of deferred and corporate taxes	(21,686)
Valuation differences at the end of the year	**415,853**

Valuation Difference of the Subsidiaries and Affiliates	Prior Period - December 31, 2017
Valuation differences at the beginning of the year	64,288
Fair value changes in the current year	(2,813)
Valuation differences transferred to the statement of income	-
Effect of deferred and corporate taxes	234
Valuation differences at the end of the year	**61,709**

2. Information on increases in cash flow hedges

None.

3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

None.

4. Information on correction differences of shareholders' equity accounts due to inflation

In compliance with BRSA's Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for "capital reserves from inflation adjustments". The balance of "capital reserves from inflation adjustments" account is transferred to "other capital reserves" account. In 2006, the Bank has increased its paid in capital through "other capital reserves" by TL 605,763.

5. Information on profit distribution

As per the resolution of 64 Annual General Assembly held on 13 August 2018, the net profit of the year 2017 which amounts to TL 3,723,383 is decided to be distributed as legal reserves amounting to TL 372,338, extraordinary reserves amounting to TL 3,196,380, special funds amounting to TL 29,665 and dividends to equity holders of the Parent Bank amounting to TL 125,000.

6. Information on decreases of revaluation of available-for-sale investments

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 1.

VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS

1. Disclosures for "other" items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

"Other" item under the "operating profit before changes in operating assets and liabilities" amounting to TL (4,172,145) (December 31, 2017: TL (2,718,309)) is comprised of other operating expense in the balance sheet, fees and commission expense, and cash amount of trading profit/loss.

"Net increase/decrease in other liabilities" amounting to TL 7,737,050 (December 31, 2017: TL 11,074,733) under "changes in operating assets and liabilities" is mainly comprised of fınd based cash outflows from repurchase agreements.

"Other" balance under "net cash flow from investing activities" amounting to TL (8,333) (December 31, 2017: TL (59,102)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related 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, 2018 impact of the exchange rate change on cash and cash equivalents is TL 256,824 (December 31, 2017: TL (137,492)).

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2. Cash flows from acquisition of associates, subsidiaries and joint-ventures

There is not any cash flow that is related with Bank's subsidiaries in the current and previous periods.

3. Cash flows from the disposal of associates, subsidiaries and joint-ventures

The Parent Bank does not have any associates and subsidiaries that are disposed of in the current period.

The Parent Bank had realised the sale of its shares in Güneş Sigorta A.Ş, which amounts to TL 232, corresponding to its 500,000 number of shares in the previous period.

4. Information on cash and cash equivalents

Information on cash and cash equivalents at the beginning of the year

	Prior Period December 31, 2017	Prior Period December 31, 2016
Cash on hand	**1,990,874**	**1,789,993**
Cash in TL	1,406,685	1,285,044
Cash in foreign currency	584,189	504,949
Cash equivalents	**19,771,933**	**10,631,411**
CBRT	26,277,100	22,325,509
Banks	13,323,799	5,275,489
Receivables from money markets	1,659,062	5,232
Other	388,272	253,813
Loans and advances to banks having maturity of more than 3 months	(639,854)	(97,573)
Restricted cash and cash equivalents	(21,221,265)	(17,124,659)
Unrealized foreign exchange rate differences on cash equivalents	(15,181)	(6,400)
Total	**21,762,807**	**12,421,404**

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Information on cash and cash equivalents at the end of the year

	Current Period December 31, 2018	Current Period December 31, 2017
Cash on hand	**2,345,929**	**1,990,874**
Cash in TL	1,462,095	1,406,685
Cash in foreign currency	883,834	584,189
Cash equivalents	**18,216,213**	**19,771,933**
CBRT	29,144,389	26,277,100
Banks	6,704,108	13,323,799
Receivables from money markets	6,839	1,659,062
Other	1,001,139	388,272
Loans and advances to banks having maturity of more than 3 months	(1,426,893)	(639,854)
Restricted cash and cash equivalents	(17,182,290)	(21,221,265)
Unrealized foreign exchange rate differences on cash equivalents	(31,079)	(15,181)
Total	**20,562,142**	**21,762,807**

5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account

Reserve requirements at CBRT amounting to TL 16,597,789 as at December 31, 2018 (December 31, 2017: TL 20,881,397) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 584,501 (December 31, 2017: TL 339,868) is blocked due to securitization loans and other ordinary operations of the Group.

VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at year end and income and expenses in the current year

Information on loans and other receivables held by Parent Bank's risk group

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Current Period - December 31, 2018	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Loans and other receivables						
Balance at the beginning of the year	17	1,190,628	-	38,243	18,111	34,799
Balance at the end of the year	85	222,835	-	44,668	193,297	91,969
Interest and commission income	-	1,351	-	-	22,076	40

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	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Prior Period - December 31, 2017	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	-	912	-	38	-	78

Information on deposits held by the Parent Bank's risk group

Current Period - December 31, 2018	Associates and Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Components in Risk Group
Deposits			
Balance at the beginning of the year	884,201	1,100,243	241,646
Balance at the end of the year	538,053	1,079,621	623,318
Interest on deposits	218,774	112,544	23,936

Prior Period - December 31, 2017	Associates and Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Components in Risk Group
Deposits			
Balance at the beginning of the year	661,402	977,319	164,132
Balance at the end of the year	884,201	1,100,243	241,646
Interest on deposits	132,348	106,934	486

Information on forwards, options and other derivative transactions held by the Parent Bank's risk group

None.

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2. Disclosures of transactions with the Parent Bank's risk group

Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

The branches of The Parent Bank are agencies of Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ. Vakıf Yatırım Menkul Değerler AŞ engages with the management of the funds established by the Bank.

In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans are 0.085 (December 31, 2017: 0.010) and 0.544 (December 31, 2017: 2.462) respectively.

Current Period - December 31, 2018	Amount	Compared with the Financial Statement Amount %
Cash Loans	193,382	0.085
Non-Cash Loans	359,472	0.544
Deposits	2,240,992	1.228
Forward and Option Agreements	-	-

Prior Period - December 31, 2017	Amount	Compared with the Financial Statement Amount %
Cash Loans	18,128	0.010
Non-Cash Loans	1,263,670	2.462
Deposits	2,226,090	1.409
Forward and Option Agreements	-	-

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES OF THE PARENT BANK

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic Branches(*)	948	16,721			
			Country		
Foreign Representative Offices	-	-			
				Total Assets	**Capital**
Foreign Branches	1	25	USA	4,331,529	87,120
	1	16	Iraq	609,742	264,000
Off-shore Branches	1	5	Bahrain	23,271,613	-

(*) Free zone branches in Turkey is included to domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During 2018, 38 new domestic branches (2017: 7 domestic branches) have been opened and 14 have been closed (2017: 4).

SECTION SIX
OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

As per the resolution of 64rd Annual General Assembly held on August 13, 2018, the net profit of year 2017 has been decided to be distributed as follows:

	Profit Distribution Table of Year 2017
Bank's unconsolidated profit in its statutory financial statements	**3,723,383**
Deferred tax credits	-
Net profit of the year subject to distribution	**3,723,383**
Legal reserves	372,338
First Legal Reserves	*186,169*
Reserves allocated according to banking law and articles of association.	*186,169*
Net profit of the year subject to distribution	**3,351,045**
Gain on sale of immovable and shares of associates and subsidiaries	29,665
Extraordinary reserves	3,196,380
Dividends to shareholders	**125,000**

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. INFORMATION ON THE PARENT BANK'S RATING GIVEN BY INTERNATIONAL CREDIT RATING INSTITUTIONS

October 2018	Fitch Ratings
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+ (Negative)
Viability Note	b+

September 2018	Moody's Investors' Service
Baseline Credit Assessment	b3
Local Currency Deposit Rating	B1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative

October 2018	Standard&Poors
Foreign Currency Counterparty Credit Rating	B+/B
Foreign Currency Outlook	Negative
Local Currency Counterparty Credit Rating	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/--/trA-1

August 2018	JCR Eurasia
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Negative)
Short Term NSR	A-1 + (Negative)
Support	1
Independancy from Shareholders	A

(*) Dates represent last report dates.

III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

As per decision No. 92065 of The Parent Bank's Board of Directors dated December 13, 2018, the bank transferred all it's shares with 100% ownership in Vakıf Portföy Yönetimi AŞ to Ziraat Portföy Yönetimi AŞ as of January 2, 2019.

The Parent Bank carried out book-building regarding the issuing of a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 373,858,761 (full TL) and an ISIN code of TRFVKFB41945 to be sold to qualified investors following the approval of the TL 20,000,000,000 (full TL)debt instruments issue cap application. The amount was transferred to customer accounts on January 11, 2019.

The Parent Bank issued a Vakıfbank financing bill with a term of 84 days, a nominal value of TL 789,640,321 (full TL) and an ISIN code of TRFVKFB41952 to be sold to qualified investors following the approval of the TL 20,000,000,000 (full TL) debt instruments issue cap application. The amount was transferred to customer accounts on January 18, 2019.

The Parent Bank carried out an Covered Bond transaction issued on January 22, 2019, with a nominal value of TL 396,300,000 (full TL), a term of 8 years ending on January 22, 2027 and an ISIN code of XS1938440069. At the same time, the total amount of foreign resources reached TL 550,000,000 (full TL) with the inclusion of swap transactions carried out under treasury transactions.

The Parent Bank issued and offered to the public a Vakıfbank financing bill totalling TL 100,000,000 (full TL) nominal value with a term of 210 days, starting January 23, 2019 and ending August 23, 2019, on 21-22-23 January 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB81917 was determined to have TL 9,327,768 (full TL) nominal value, 210 days term, term ending August 23, 2019, with an annual compound interest rate of 21.4606%, simple interest rate of 20.5711% and an issue price of TL 89,417.

The Parent Bank issued and offered to the public a Vakıfbank financing bill totalling TL 300,000,000 (full TL) nominal value with a term of 147 days, starting January 23, 2019 and ending June 21, 2019, on 21-22-23 January 2019 via the book-building method. Following this issuing, the Vakıfbank bill with an ISIN code of TRFVKFB61927 was determined to have TL 323,414,446 (full TL) nominal value, 147 days term, term ending June 21,2019, with an annual compound interest rate of 21.8393%, simple interest rate of 20.5603% and an issue price of TL 92,353.

During The Parent Bank's Board of Directors meeting on January 24, 2019, The Parent Bank decided to decrease the number of Executive Vice Presidents from 14 to 12. Following this, Executive Vice Presidents Osman DEMREN and Mustafa SAYDAM have resigned from their positions.

Following the approval of the structured debt instruments issue cap application with a nominal value of TL 3,000,000,000 (full TL), The Parent Bank issued a Vakıfbank structured debt instrument with a term of 35 days, a nominal value of TL 100,000,000 (full TL) and an ISIN code of TR0VKFB00ZG6 to qualified investors as of January 25, 2019.

SECTION SEVEN
INDEPENDENT AUDITORS' AUDIT REPORT

I. INFORMATION ON INDEPENDENT AUDITORS' REPORT

The Parent Bank unconsolidated financial statements and footnotes as at and for year ended December 31, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 26, 2019 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank's financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

EVALUATION OF THE BANK'S FINANCIAL POSITION, PROFITABILITY AND SOLVENCY

Adopting a profitable, efficient and high-quality growth strategy, VakıfBank takes firm steps towards its vision of being the "Leading Bank of Strong Turkey," and continues to serve with 16,767 employees in 951 branches as of the end of 2018.

EVALUATION OF ASSETS

VakıfBank maintained its asset growth in 2018, attaining a 22.46% rise year-over-year and reaching TL 331,356 million in assets. In the breakdown of assets, the largest share belongs to loans, with a rate of 66.89%.
In 2018, the Bank's performing loans, the fundamental intermediary function in the banking sector, increased by 21.14% and reached TL 221,607 million. Of the total performing loans, 76.80% are commercial and 23.20% are retail loans. The Bank increased its commercial loans by 26.09% and retail loans by 7.21%. When we examine the composition of retail loans, mortgage loans is up by 2.07% and general consumer loans by 2.85%.

In 2018, the Bank's non-performing loans ratio was 4.65%. In the same period, VakıfBank's securities portfolio rose by 61.81% to TL 49,054 million, while the share of the securities portfolio in the assets was realized as 14.80%.

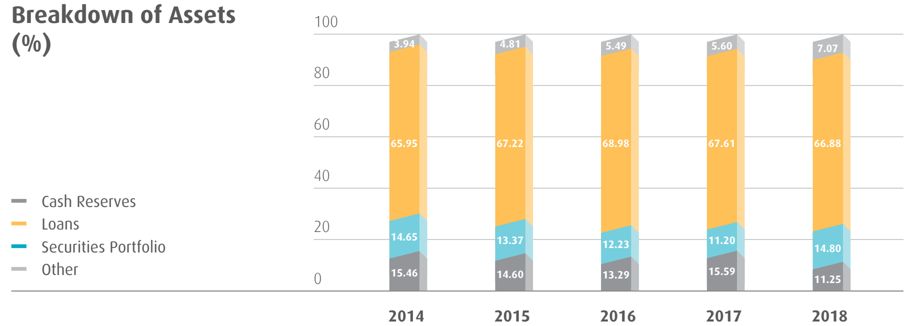
EVALUATION OF LIABILITIES

In 2018, the Bank's total liabilities is up by 22.46%, while deposits increased by 15.54%. The share of deposits in total liabilities amounted to 54.14%. The most important item in the funding structure has been deposits which reached TL 179,408 million as of the end of 2018. 79.89% of deposits were term deposits, and 20.11% were demand deposits.

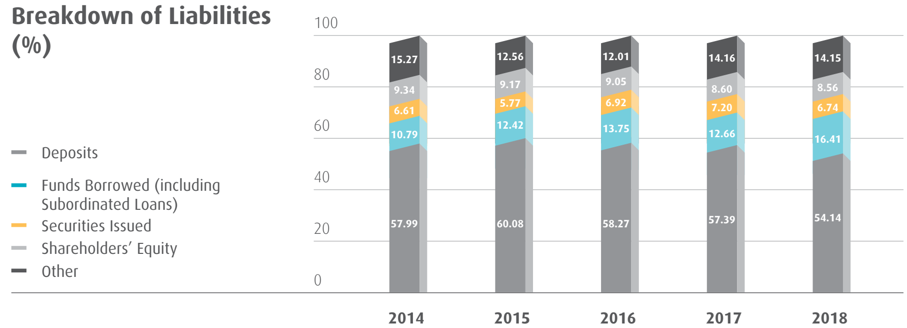
Diversifying the sources of funds and performing effective cost management, VakıfBank raised the securities issued to TL 22,347 million. The local and foreign investors' demand for the securities issued by the Bank, made a contribution to the diversification of funding sources and the extension of the maturity structure.

In 2018, the Bank's shareholders' equity increased by 21.90% compared to the end of the previous year, reaching TL 28,350 million. The share of equity in liabilities was 8.56%.

Breakdown of Assets (%)



Breakdown of Liabilities (%)



EVALUATION OF PROFITABILITY

The Bank's net profit for the period is up by 11.57% compared to the previous period, reaching TL 4,154 million. In the same period, VakıfBank's earnings on interest rose to TL 33,954 million while interest expenses were realized as TL 23,113 million. The net earnings on interest were at TL 10,841 million. Compared to the previous period, the earnings on interests is up by 58.34% and the interest expense by 80.25%. Thus, the ratio of interest earnings to interest expenses amounted to 146.90%.

As of the end of 2018, the Bank's average return on equity was 16.10% while its average return on assets was 1.38%.

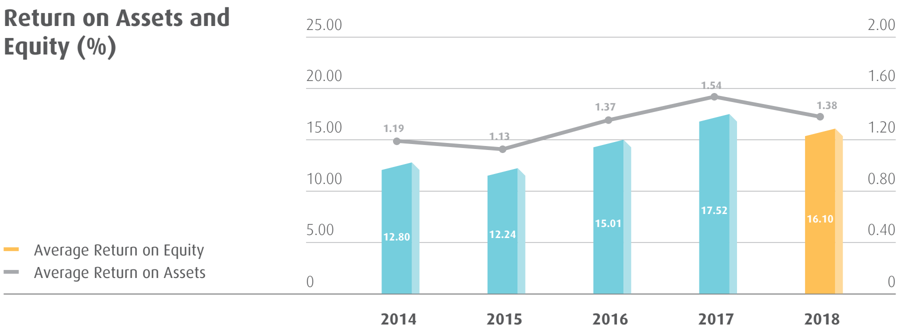
SOLVENCY RATIO

Keeping the share of the interest bearing assets in the total assets at 87.41% in 2018, VakıfBank maintained its strong liquidity structure, and preserved its solvency ratio.

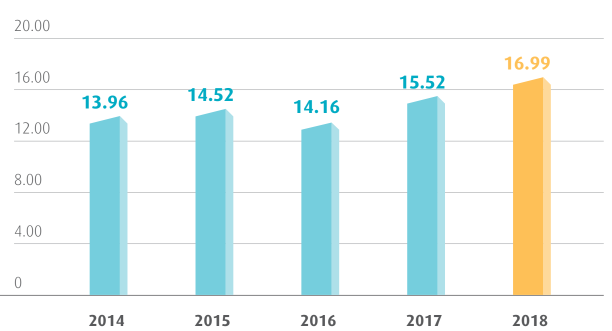
Carrying on its growth in loans without compromising on risk control, VakıfBank's capital adequacy ratio, 16.99%, was above the legal limits and target ratio, which serves as another indicator of its financial strength. The long-term evolution of the capital adequacy ratio is presented in the chart.

In the following period, VakıfBank will expand its customer base and increase its product diversity while continuing to grow by tapping into potential growth possibilities in and outside the country.

Return on Assets and Equity (%)



Capital Adequacy Ratio (%)



INTERNATIONAL CREDIT RATINGS

October 2018	Fitch Ratings
Long-Term Foreign Currency IDR	B+
Short-Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long-Term Local Currency IDR	BB
Short-Term Local Currency	B
Local Currency Outlook	Negative
National Long Term Rating	AA (tur)
National Outlook	Stable
Support Rating	4
Support Rating Floor	B+ (Negative)
Viability Rating	b+

September 2018	Moody's Investors' Service
BCA (Baseline Credit Assessment)	b3
Local Currency Deposit Rating	B1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative

October 2018	Standard&Poors
FC Counterparty Credit Ratings	B+/B
Foreign Currency Outlook	Negative
LC Counterparty Credit Ratings	B+/B
Local Currency Outlook	Negative
Turkey National Scale	trA+/--/trA-1

August 2018	JCR Eurasia
Long Term International Foreign Currency	BBB- (Negative)
Short Term International Foreign Currency Rating	A-3 (Negative)
Long Term International Local Currency	BBB-
Short Term International Local Currency	A-3
Long Term Local Rating	AAA (Stable)
Short Term Local Rating	A-1 + (Stable)
Long Term Sponsor Support	1
Long Term Stand-Alone	A

(*) Refer to the final dates of reporting.

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

ASSETS (TL Thousand)	2014	2015	2016	2017	2018
Cash and Banks (including mm)	24,455,599	26,719,055	28,255,619	42,184,754	37,273,082
Securities Portfolio	23,178,509	24,451,698	25,999,793	30,316,048	49,054,049
Loans	104,343,442	122,974,478	146,618,992	182,932,228	221,606,750
Commercial Loans	71,492,889	86,363,710	105,581,895	134,979,672	170,194,709
Retail Loans	32,850,553	36,610,768	41,037,097	47,952,556	51,412,041
Non-Performing Loans	3,974,372	4,850,213	6,413,503	7,638,206	10,800,157
Credit-Impaired (Stage III)	3,734,297	4,044,038	5,320,120	6,598,819	8,019,949
Subsidiaries and Affiliates	1,736,982	1,874,609	2,096,602	2,563,016	3,051,217
Tangible Fixed Assets	1,454,883	2,378,114	2,637,742	2,729,756	4,186,187
Other Assets	2,808,236	3,742,995	5,837,774	8,806,521	16,244,589
TOTAL ASSETS	**158,217,726**	**182,947,124**	**212,539,905**	**270,571,710**	**331,355,641**

LIABILITIES (TL Thousand)	2014	2015	2016	2017	2018
Deposits	91,756,968	109,922,534	123,838,377	155,277,122	179,407,907
Term Deposits	74,944,145	89,644,574	99,404,340	125,159,851	143,326,141
Demand Deposits	16,812,823	20,277,960	24,434,037	30,117,271	36,081,766
Money Markets	16,385,302	12,744,041	12,895,334	22,270,837	28,723,737
Loans Borrowed	14,927,048	18,555,997	24,193,770	28,307,621	41,349,836
Subordinated Loans	2,138,030	4,169,474	5,031,213	5,935,969	13,022,023
Securities Issued	10,457,757	10,547,759	14,707,745	19,485,098	22,347,064
Provisions	2,437,139	2,923,772	3,224,092	3,412,482	2,271,359
Shareholders' Equity	14,771,750	16,767,548	19,238,711	23,257,818	28,350,190
Paid-in Capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Profit or Loss	1,753,273	1,930,109	2,703,042	3,723,383	4,725,138
Profit/Loss in the Previous Year	0	0	0	0	570,816
Net Period Profit/Loss	1,753,273	1,930,109	2,703,042	3,723,383	4,154,322
Other Liabilities	5,343,732	7,315,999	9,410,663	12,624,763	15,883,525
TOTAL LIABILITIES	**158,217,726**	**182,947,124**	**212,539,905**	**270,571,710**	**331,355,641**

INCOME STATEMENT (TL Thousand)	2014	2015	2016	2017	2018
Interest Income	11,373,587	13,630,050	16,557,626	21,444,094	33,953,817
Interest Expenses	6,722,109	8,143,569	9,590,985	12,822,668	23,113,130
Net Interest Income	4,651,478	5,486,481	6,966,641	8,621,426	10,840,687
Net Fees and Commissions	709,334	921,084	980,883	1,330,665	2,293,210
Dividend Income	66,288	62,219	91,753	93,561	129,624
Trading Income (Net)	123,513	32,951	379,677	19,128	417,655
Foreign Exchange Income (Net)	99,606	66,523	104,136	145,084	225,980
Other Operating Income	1,345,534	1,048,278	954,031	1,673,529	2,003,613
Total Operating Income	6,995,753	7,617,536	9,477,121	11,883,393	13,718,987
Operating Expenses	1,232,995	1,380,439	1,488,861	1,768,758	2,191,782
Provisions for Loans and Other Receivables	1,671,867	1,537,060	2,246,514	2,787,533	4,883,505
Other Operating Expenses	1,877,215	2,229,744	2,346,222	2,651,970	3,681,555
Operating Income	2,213,676	2,470,293	3,395,524	4,675,132	5,153,927
Net Profit/Loss	**1,753,273**	**1,930,109**	**2,703,042**	**3,723,383**	**4,154,322**

FIVE-YEAR SUMMARY FINANCIAL INFORMATION

INDICATOR RATIOS (%)	2014	2015	2016	2017	2018
Securities/Total Assets	14.65	13.37	12.23	11.20	14.80
Loans/Total Assets	65.95	67.22	68.98	67.61	66.88
Loans/Deposits	113.72	111.87	118.40	117.81	123.52
Retail Loans/Loans	31.48	29.77	27.99	26.21	23.20
Commercial Loans/Loans	68.52	70.23	72.01	73.79	76.80
NPL Ratio	3.67	3.79	4.19	4.01	4.65
Deposits/Total Liabilities	57.99	60.08	58.27	57.39	54.14
Demand Deposits/Total Deposits	18.32	18.45	19.73	19.40	20.11
Shareholders' Equity/Total Liabilities	9.34	9.17	9.05	8.60	8.56
Loans Borrowed/Total Liabilities	9.43	10.14	11.38	10.46	12.48
Capital Adequacy Ratio	13.96	14.52	14.16	15.52	16.99
Average Return on Assets	1.19	1.13	1.37	1.54	1.38
Average Return on Equity	12.80	12.24	15.01	17.52	16.10

MARKET SHARES (%)	2014	2015	2016	2017	2018
SECURITIES PORTFOLIO	7.67	7.42	7.40	7.55	10.27
LOANS	8.41	8.28	8.45	8.72	9.25
Commercial Loans	8.08	7.85	8.03	8.38	9.00
Retail Loans	9.23	9.51	9.77	9.82	10.20
Non-Performing Loans	10.91	10.20	11.03	11.94	11.18
Allowance for Expected Credit Losses	13.88	11.40	11.81	13.00	12.15
DEPOSITS	8.72	8.83	8.52	9.08	8.81
Term Deposits	8.77	8.90	8.58	9.29	8.95
Demand Deposits	8.47	8.51	8.27	8.29	8.31
GROSS LOANS	6.26	6.57	7.15	6.83	8.69
GUARANTEES AND COMMITMENTS	7.46	7.21	7.32	7.71	8.35
TOTAL ASSETS	7.93	7.76	7.78	8.31	8.57
SHAREHOLDERS' EQUITY	6.37	6.39	6.41	6.48	6.73
NET PROFIT/LOSSES	7.12	7.41	7.20	7.65	7.76

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