

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT SEPTEMBER 30, 2018
TOGETHER WITH REVIEW REPORT**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)
To the General Assembly of Türkiye Vakıflar Bankası T.A.O.

Introduction

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası T.A.O. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 September 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on or review.

Scope of Review

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

Basis for the Qualified Conclusion

As mentioned in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 30 September 2018 include a free provision amounting to TL 500,000 thousand recognized in 2017 provided by the Bank management considering the possible effect of the circumstances that may arise from the negative changes in the economy and market conditions.



Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türkiye Vakıflar Bankası T.A.O. at 30 September 2018 and the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

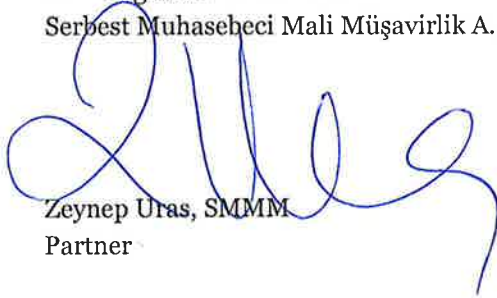
Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation

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

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



Zeynep Uras, SMMM
Partner

Istanbul, 9 November 2018

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW
REPORT**

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED INTERIM FINANCIAL REPORT
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 nine-month period ended September 30, 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 REVIEW REPORT
- INTERIM ACTIVITY 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 nine-month period, related disclosures and footnotes which have been independently reviewed, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidance and in compliance with the financial records of the Bank and unless otherwise stated, presented in thousands of Turkish Lira.

November 9, 2018

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 : S. Buğra SÜRÜEL / Manager
Phone no : +90 216 724 31 35
Fax no : +90 216 724 49 55

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

SECTION ONE
General Information

I.	History of the Parent Bank including its incorporation date, initial legal status, amendments to legal status	1
II.	The Parent Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on Bank's risk group	1-2
III.	Information on the Parent Bank's chairman and members of the board of directors, audit committee members, general manager, assistant general managers and their shares in the Bank	3-4
IV.	Information on the Parent Bank's qualified shareholders	4
V.	Information about the services and nature of activities of the Parent Bank	4
VI.	Differences between the communicate 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	5
VII.	Current of likely actual or legal barriers to immediate transfer of equity or repayment of debts between the Parent Bank and its subsidiaries	5

SECTION TWO
Consolidated Financial Statements

I.	Consolidated balance sheet	7-10
II.	Consolidated off-balance sheet items	11-12
III.	Consolidated statement of profit or loss	13-14
IV.	Consolidated statement of profit and loss and other comprehensive income	15-16
V.	Consolidated statement of changes in shareholders' equity	17-18
VI.	Consolidated statement of cash flow	19-20

SECTION THREE
Accounting Policies

I.	Basis of presentation	21
II.	Strategy for the use of financial instruments and information on foreign currency transactions	22-23
III.	Information on associates that are consolidated and subsidiaries that are accounted according to equity method	24-25
IV.	Information on forwards, options and other derivative transactions	25
V.	Information on interest income and expenses	26
VI.	Information on fees and commissions	26
VII.	Information on financial assets	26-27
VIII.	Information on expected credit loss	28-29
IX.	Information on offsetting of financial instruments	29
X.	Information on sales and repurchase agreements and securities lending	29
XI.	Information on assets held for sale and discontinued operations	29
XII.	Information on goodwill and other intangible assets	30
XIII.	Information on tangible assets	30
XIV.	Information on leasing activities	31
XV.	Information on provisions, contingent assets and liabilities	31
XVI.	Information on obligations of the Group concerning employee rights	31-33
XVII.	Information on taxation	33-35
XVIII.	Information on cash and cash equivalents	35
XIX.	Additional information on borrowings	35
XX.	Information on issuance of equity securities	35
XXI.	Information on confirmed bills of exchange and acceptances	35
XXII.	Information on government incentives	35
XXIII.	Information on segment reporting	35
XXIV.	Other matters	36-41
XXV.	Explanations on prior period accounting policies not valid for the current period	41-42

SECTION FOUR
Information Related to the Consolidated Financial Position and Risk Management

I.	Information on consolidated equity items	43-51
II.	Consolidated foreign currency exchange risk	51-53
III.	Consolidated interest rate risk	54-56
IV.	Consolidated stock position risk	57-58
V.	Consolidated liquidity risk and liquidity coverage ratio	59-62
VI.	Consolidated leverage ratio	63-64
VII.	Consolidated segment reporting	65-67
VIII.	Information on risk management	68

SECTION FIVE
Disclosures and Footnotes on Consolidated Financial Statements

I.	Information and disclosures related to consolidated assets	69-95
II.	Information and disclosures related to consolidated liabilities	96-103
III.	Information and disclosures related to consolidated off-balance sheet items	104-106
IV.	Information and disclosures related to consolidated statement of income	106-112
V.	Information and disclosures related to Parent Bank's risk group	113-114

SECTION SIX
Other Disclosures and Footnotes

I.	Other disclosures on the Parent Bank's activity	115
II.	Information on the Parent Bank's rating given by international credit rating institutions	115
III.	Significant events and matters subsequent to balance sheet date that are not resulted	116

SECTION SEVEN
Auditors' Review Report

I.	Information on Limited review report	117
II.	Explanations and footnotes prepared by independent auditor	117

SECTION EIGHT
Information on Interim Activity Report

I.	Interim period activity report included Chairman of the Board of Directors' and CEO's assessments for the interim activities	118-123
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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
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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 September 30, 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 Parent Bank’s shareholders structure as at September 30, 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 Parent Bank, the stocks are transferred to the treasury, by taking their per share value into consideration, over the calculated average value of the values that are mentioned in the conclusion sections of the valuation projects that are prepared by three different firms. The absolute amount of the stocks are recorded in the share ledger on behalf of the Undersecretariat of Treasury within the seven days after the effective date of the cabinet decree.”

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

GENERAL INFORMATION (Continued)

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

It is stated in the 6th paragraph of the 3rd sub-article of the related article that “In the act of the application to the Parent 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 Parent Bank, the dependent minister of the Undersecretariat of Treasury has the authority to transfer the stocks over their per share value, that is stated the for the fund, by the Council of Ministers to the Undersecretariat of Treasury.

It is stated in the 6th paragraph of the 4th sub-article of the related article that “In the act of the application to the Parent 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 Parent Bank, and the stocks that are owned by the other natural and legal persons among the Group C stocks of the Parent 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 Prime Ministry Undersecretariat of Treasury.

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

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AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

GENERAL INFORMATION (Continued)

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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Management
<u>Board of Directors</u>				
Doç.Dr.Şahap KAVCIOĞLU	Deputy Chairman of the Board	August 13, 2018	PhD	24 years
Mehmet Emin ÖZCAN	Member – General Manager	June 9, 2017	Bachelor's	35 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	30 years
Şahin UĞUR	Member	June 9, 2017	Bachelor's	32 years
Serdar TUNÇBİLEK	Member	June 9, 2017	Bachelor's	32 years
Dilek YÜKSEL	Member	29 March, 2016	Bachelor's	6 years
Ömer ARISOY	Member	June 9, 2017	Bachelor's	18 years
Dr.Cemil Ragıp ERTEM	Member	August 13, 2018	PhD	20 years
<u>Audit Committee</u>				
Doç.Dr.Şahap KAVCIOĞLU	Member	August 14, 2018	PhD	24 years
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor's	32 years
<u>Auditor</u>				
Yunus ARINCI	Auditor	March 19, 2010	Master's	21 years
Hasan TÜRE	Auditor	June 9, 2017	Bachelor's	34 years
<u>Assistant General Managers</u>				
Metin Recep ZAFER	Banking Operations, Credit, Customer and Account Operations, Treasury Operations, Foreign Operations	June 13, 2006	PhD	22 years
Hasan ECESÖY	Treasury Management, International Banking and Investor Relations, Treasury Management Middle Office	June 18, 2010	PhD	24 years
Osman DEMREN	SME Marketing,Cash Management Marketing	April 6, 2011	Master's	27 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	Bachelor's	23 years
Mustafa SAYDAM	Administrative Affairs, Construction, Real Estate and Purchasing	October 28, 2013	Bachelor's	24 years
Mehmet Emin KARAAĞAÇ	Chief Legal Counsellor, Legal Affairs, Credit Risk Liquidation	November 8, 2013	Bachelor's	29 years
Yakup ŞİMŞEK	Corporate Banking Marketing, Commercial Banking Marketing, Local Government Banking Marketing, Corporate Branches	September 7, 2016	Bachelor's	22 years
H.Uğur BİLGİN	Human Resources, Corporate Development and Academy	August 1, 2017	Bachelor's	31 years
Şeyh Mehmet BOZ	Application of Credit Policies and Processes, Loans Planning and Follow-up, Evaluation and Rating	August 1, 2017	Master's	23 years
İlker YEŞİL	Payment Systems, Digital Banking and Distribution Channels	August 1, 2017	Bachelor's	23 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor's	22 years
Ersin ÖZOĞUZ	Corporate Loans Allocation Management, Commercial Loans Allocation Management, Personal Loans Allocation Management, SMEs and Local Administration Loans Allocation Management	August 1, 2017	Bachelor's	22 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 9, 2018	Master's	27 years

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AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

GENERAL INFORMATION (Continued)

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

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

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

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

İsmail ALPTEKİN, Chairman of the Board of Directors and Sabahattin BIRDAL, Board Member and Audit Committee Member of the Parent 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 Parent 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 the Parent Bank Principal Agreement's related articles at the Board Meeting of the Parent 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.

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 Parent 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 Parent 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 numbered 6219.

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

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

- 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 Parent 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 September 30, 2018, The Parent Bank has 947 domestic, 3 foreign, in total 950 branches (December 31, 2017: 924 domestic, 3 foreign, in total 927 branches). As at September 30, 2018, The Parent Bank has 16,747 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
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

GENERAL INFORMATION (Continued)

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

As at and for the nine-month period ended September 30, 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 Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

As at and for the nine-month period ended September 30, 2018, the financial statements of Kıbrıs Vakıflar Bankası Ltd. and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ are excluded from the scope of consolidation according to the Communiqué on Preparation of Consolidated Financial Statements. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonal AŞ and Türkiye Ürün İhtisas Borsası A.Ş. are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

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

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS
FINANCIAL SUBSIDIARIES CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT SEPTEMBER 30, 2018**

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

		Reviewed Current Period September 30, 2018		
ASSETS	Notes	TL	FC	Total
I. FINANCIAL ASSETS (Net)		49,118,464	53,479,661	102,598,125
1.1 Cash and cash equivalents	V-I-1	5,698,044	42,000,596	47,698,640
1.1.1 Cash and balances with Central Bank	V-I-1	4,812,987	30,970,123	35,783,110
1.1.2 Banks	V-I-3	877,090	11,030,473	11,907,563
1.1.3 Receivables from Money Markets		7,967	-	7,967
1.2 Financial assets at fair value through profit or loss	V-I-2	70,459	97,856	168,315
1.2.1 Government debt securities		202	7,658	7,860
1.2.2 Equity securities		2,505	90,198	92,703
1.2.3 Other financial assets		67,752	-	67,752
1.3 Financial assets at fair value through other comprehensive income	V-I-4	7,179,824	2,285,176	9,465,000
1.3.1 Government debt securities		7,179,824	1,418,310	8,598,134
1.3.2 Equity securities		-	3,921	3,921
1.3.3 Other financial assets		-	862,945	862,945
1.4 Financial assets measured at amortised cost	V-I-6	30,445,766	8,681,787	39,127,553
1.4.1 Government debt securities		30,445,766	8,441,720	38,887,486
1.4.2 Other financial assets		-	240,067	240,067
1.5 Derivative financial assets		5,761,464	415,679	6,177,143
1.5.1 Derivative financial assets at fair value through profit or loss		5,761,464	415,679	6,177,143
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 (-)		37,093	1,433	38,526
II. LOANS (Net)	V-I-5	147,204,193	95,677,648	242,881,841
2.1 Loans		145,365,001	92,859,422	238,224,423
2.1.1 Loans measured at amortised cost		145,365,001	92,859,422	238,224,423
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	550,608	2,616,426	3,167,034
2.2.1 Finance lease receivables		724,841	2,896,130	3,620,971
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		174,233	279,704	453,937
2.3 Factoring receivables		2,488,261	183,140	2,671,401
2.3.1 Factoring receivables measured at amortised cost		2,488,261	183,140	2,671,401
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		9,737,422	182,857	9,920,279
2.5 Allowance for expected credit losses (-)		10,937,099	164,197	11,101,296
2.5.1 12-Month expected credit losses (Stage 1)		1,871,881	25,331	1,897,212
2.5.2 Significant increase in credit risk (Stage 2)		1,579,903	962	1,580,865
2.5.3 Credit-Impaired (Stage 3)		7,485,315	137,904	7,623,219
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"	V-I-14	1,556,748	-	1,556,748
3.1 Held for sale		1,556,748	-	1,556,748
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,067,613	3	1,067,616
4.1 Investments in associates (Net)	V-I-7	768,694	3	768,697
4.1.1 Associates accounted by using equity method		329,066	-	329,066
4.1.2 Non-consolidated associates		439,628	3	439,631
4.2 Investments in subsidiaries (Net)	V-I-8	298,919	-	298,919
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		298,919	-	298,919
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)		1,872,310	13,861	1,886,171
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		280,515	404	280,919
6.1 Goodwill		14,631	-	14,631
6.2 Other		265,884	404	266,288
VII. INVESTMENT PROPERTIES (Net)	V-I-12	523,106	-	523,106
VIII. CURRENT TAX ASSETS		403,520	-	403,520
IX. DEFERRED TAX ASSETS	V-I-13	138,370	-	138,370
X. OTHER ASSETS	V-I-15	6,214,665	9,206,155	15,420,820
TOTAL ASSETS		208,379,504	158,377,732	366,757,236

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT DECEMBER 31, 2017**

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

		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)	V-I-2	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)		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	1051	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)		1,722,037	9,372	1,731,409
XV. INTANGIBLE ASSETS (Net)		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		63,612	-	63,612
17.1 Current tax assets		1016	-	1,016
17.2 Deferred tax assets	V-I-13	62,596	-	62,596
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS (Net)	V-I-14	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-15	4,891,487	3,843,638	8,735,125
TOTAL ASSETS		176,415,113	104,443,893	280,859,006

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT SEPTEMBER 30, 2018**

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

		Reviewed Current Period September 30, 2018			
	LIABILITIES AND EQUITY	Notes	TL	FC	Total
I.	DEPOSITS	V-II-1	111,301,991	83,294,347	194,596,338
II.	FUNDS BORROWED	V-II-3	2,572,841	49,458,187	52,031,028
III.	MONEY MARKET FUNDS		24,027,616	3,672,942	27,700,558
IV.	MARKETABLE SECURITIES (Net)	V-II-3	9,017,590	19,867,477	28,885,067
4.1	Bills		4,915,401	-	4,915,401
4.2	Asset backed securities		62,960	-	62,960
4.3.	Bonds		4,039,229	19,867,477	23,906,706
V.	FUNDS		3,074	-	3,074
5.1	Borrower funds		-	-	-
5.2	Other		3,074	-	3,074
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	V-II-2	3,223,548	254,217	3,477,765
7.1	Derivative financial liabilities at fair value through profit or loss		3,223,548	254,217	3,477,765
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
VIII.	FACTORING PAYABLES		1,275	-	1,275
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	5,082,222	52,557	5,134,779
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		930,742	5,602	936,344
10.3	Insurance technical reserves (Net)		2,960,269	18,886	2,979,155
10.4	Other provisions		1,191,211	28,069	1,219,280
XI.	CURRENT TAX LIABILITIES	V-II-8	543,562	1,380	544,942
XII.	DEFERRED TAX LIABILITIES		271,381	22,541	293,922
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	5,544,627	8,443,716	13,988,343
14.1	Loans		-	-	-
14.2	Other debt instruments		5,544,627	8,443,716	13,988,343
XV.	OTHER LIABILITIES	V-II-4	8,145,873	4,412,381	12,558,254
XVI.	SHAREHOLDERS' EQUITY	V-II-11	26,763,123	778,768	27,541,891
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000
16.2	Capital reserves		804,673	-	804,673
36938	Equity share premiums		724,269	-	724,269
37303	Share cancellation profits		-	-	-
37668	Other capital reserves		80,404	-	80,404
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1,451,598	2,366	1,453,964
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(347,268)	(39,322)	(386,590)
16.5	Profit reserves		18,023,769	557,690	18,581,459
37027	Legal reserves		2,081,658	10,669	2,092,327
37392	Statutory reserves		6,337	-	6,337
37757	Extraordinary reserves		15,689,732	5,389	15,695,121
38123	Other profit reserves		246,042	541,632	787,674
16.6	Profit or loss		3,695,207	155,516	3,850,723
37058	Prior years' profits or losses		450,594	131,739	582,333
37423	Current period net profit or loss		3,244,613	23,777	3,268,390
16.7	Minority interests		635,144	102,518	737,662
TOTAL LIABILITIES AND EQUITY			196,498,723	170,258,513	366,757,236

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS AT DECEMBER 31, 2017**

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

		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

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 OFF-BALANCE SHEET AS AT SEPTEMBER 30, 2018**

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

		Reviewed Current Period September 30, 2018		
	Notes	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		100,678,231	167,492,278	268,170,509
I. GUARANTEES AND SURETIES	V-III-2-4	40,935,339	32,316,084	73,251,423
1.1. Letters of guarantee		40,104,048	15,576,620	55,680,668
1.1.1. Guarantees subject to State Tender Law		4,763,767	6,454,106	11,217,873
1.1.2. Guarantees given for foreign trade operations		1,395,757	-	1,395,757
1.1.3. Other letters of guarantee		33,944,524	9,122,514	43,067,038
1.2. Bank acceptances		68,258	3,114,667	3,182,925
1.2.1. Import letter of acceptance		-	770,060	770,060
1.2.2. Other bank acceptances		68,258	2,344,607	2,412,865
1.3. Letters of credit		23,942	13,344,210	13,368,152
1.3.1. Documentary letters of credit		23,942	13,344,210	13,368,152
1.3.2. Other letters of credit		-	-	-
1.4. Guaranteed pre-financings		-	4,772	4,772
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		345,937	67,786	413,723
1.8. Other guarantees		77,664	44,209	121,873
1.9. Other sureties		315,490	163,820	479,310
II. COMMITMENTS		37,680,967	31,565,442	69,246,409
2.1. Irrevocable commitments		33,486,265	3,226,806	36,713,071
2.1.1. Asset purchase commitments	V-III-1	749,282	2,098,799	2,848,081
2.1.2. Deposit purchase and sales commitments		-	-	-
2.1.3. Share capital commitments to associates and subsidiaries	V-III-1	2,250	-	2,250
2.1.4. Loan granting commitments	V-III-1	13,978,240	205,658	14,183,898
2.1.5. Securities issuance brokerage commitments		-	252,952	252,952
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments	V-III-1	2,859,606	-	2,859,606
2.1.8. Tax and fund obligations on export commitments		-	-	-
2.1.9. Commitments for credit card limits	V-III-1	13,085,415	-	13,085,415
2.1.10. Commitments for credit card and banking operations promotions		701,998	-	701,998
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		2,109,474	669,397	2,778,871
2.2. Revocable commitments		4,194,702	28,338,636	32,533,338
2.2.1. Revocable loan granting commitments		4,194,702	28,338,636	32,533,338
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		22,061,925	103,610,752	125,672,677
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		22,061,925	103,610,752	125,672,677
3.2.1. Forward foreign currency purchases/sales		1,841,633	2,648,793	4,490,426
3.2.1.1. Forward foreign currency purchases		922,030	1,324,499	2,246,529
3.2.2.2. Forward foreign currency sales		919,603	1,324,294	2,243,897
3.2.2. Currency and interest rate swaps		12,790,271	84,331,228	97,121,499
3.2.2.1. Currency swaps-purchases		2,582,856	22,047,905	24,630,761
3.2.2.2. Currency swaps-sales		7,667,415	12,200,934	19,868,349
3.2.2.3. Interest rate swaps-purchases		1,270,000	25,041,195	26,311,195
3.2.2.4. Interest rate swaps-sales		1,270,000	25,041,194	26,311,194
3.2.3. Currency, interest rate and security options		617,960	1,629,992	2,247,952
3.2.3.1. Currency call options		428,940	669,518	1,098,458
3.2.3.2. Currency put options		189,020	960,474	1,149,494
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		6,812,061	15,000,739	21,812,800
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,533,306,480	1,367,270,721	2,900,577,201
IV. ITEMS HELD IN CUSTODY		61,151,001	7,914,403	69,065,404
4.1. Customers' securities held		1,845,096	-	1,845,096
4.2. Investment securities held in custody		42,903,292	331,497	43,234,789
4.3. Checks received for collection		10,358,498	1,407,488	11,765,986
4.4. Commercial notes received for collection		4,534,258	1,742,887	6,277,145
4.5. Other assets received for collection		2,152	240	2,392
4.6. Assets received through public offering		-	-	-
4.7. Other items under custody		113,383	2,890,539	3,003,922
4.8. Custodians		1,394,322	1,541,752	2,936,074
V. PLEDGED ITEMS		423,573,773	227,320,791	650,894,564
5.1. Securities		315,427	8,350	323,777
5.2. Guarantee notes		647,442	842,015	1,489,457
5.3. Commodities		33,105,640	1,398,301	34,503,941
5.4. Warranties		-	-	-
5.5. Real estates		337,057,880	183,016,509	520,074,389
5.6. Other pledged items		51,502,514	41,685,506	93,188,020
5.7. Pledged items-depository		944,870	370,110	1,314,980
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		1,048,581,706	1,132,035,527	2,180,617,233
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,633,984,711	1,534,762,999	3,168,747,710

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 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		Total	
	Notes	TL	FC		
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)	80,999,013	81,421,461		162,420,474
I.	GUARANTEES AND SURETIES	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	225380	7528		232908
1.8	Other guarantees	81074	43,996		125,070
1.9	Other sureties	239968	2,056		242,024
II.	COMMITMENTS	31,872,658	17,873,251		49,745,909
2.1	Irrevocable commitments	28,813,083	1,547,642		30,360,725
2.1.1	Asset purchase commitments	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	V-III-1	-	-	-
2.1.4	Loan granting commitments	V-III-1	11,843,577	74556	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	-	-		-
2.1.11	Receivables from "short" sale commitments on securities	761,674	-		761,674
2.1.12	Payables from "short" sale commitments on securities	-	-		-
2.1.13	Other irrevocable commitments	2,336,250	511896		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	923511	-		923511
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	140536	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

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 STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

		Notes	Reviewed Current Period January 1, 2018- September 30, 2018	Reviewed Current Period July 1, 2018- September 30, 2018
I.	INTEREST INCOME	V-IV-1	24,183,949	10,150,050
1.1	Interest on loans	V-IV-1	19,874,130	7,863,506
1.2	Interest received from reserve deposits		274,509	105,116
1.3	Interest received from banks	V-IV-1	240,082	110,395
1.4	Interest received from money market transactions		19,334	373
1.5	Interest received from marketable securities portfolio	V-IV-1	3,616,604	2,007,278
1.5.1	Financial assets at fair value through profit or loss		11,823	5,839
1.5.2	Financial assets at fair value through other comprehensive income		665,601	338,279
1.5.3	Financial assets measured at amortised cost		2,939,180	1,663,160
1.6	Finance lease income		141,477	59,665
1.7	Other interest income		17,813	3,717
II.	INTEREST EXPENSES		15,563,301	6,613,351
2.1	Interest on deposits	V-IV-2	10,226,291	4,309,080
2.2	Interest on funds borrowed	V-IV-2	1,166,278	535,745
2.3	Interest on money market transactions		2,148,348	950,891
2.4	Interest on securities issued	V-IV-2	1,586,743	641,636
2.5	Other interest expenses		435,641	175,999
III.	NET INTEREST INCOME/EXPENSE (I - II)		8,620,648	3,536,699
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		1,449,439	566,314
4.1	Fees and commissions received		2,112,298	834,197
4.1.1	Non-cash loans		324,039	129,205
4.1.2	Other		1,788,259	704,992
4.2	Fees and commissions paid		662,859	267,883
4.2.1	Non-cash loans		4,837	2,063
4.2.2	Other		658,022	265,820
V.	PERSONNEL EXPENSES (-)		1,793,204	619,445
VI.	DIVIDEND INCOME		48,618	138
VII.	TRADING PROFIT/LOSS (Net)	V-IV-3	686,966	334,025
7.1	Profit/losses from capital market transactions	V-IV-3	143,345	85,073
7.2	Profit/losses from derivative financial transactions	V-IV-3	482,008	243,113
7.3	Foreign exchange profit/losses	V-IV-3	61,613	5,839
VIII.	OTHER OPERATING INCOME	V-IV-4	2,619,238	888,532
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		11,631,705	4,706,263
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	4,065,593	2,232,685
XI.	OTHER OPERATING EXPENSES (-)	V-IV-6	3,500,406	1,210,645
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		4,065,706	1,262,933
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		38,541	9,544
XV.	NET MONETARY POSITION GAIN/LOSS		-	-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	4,104,247	1,272,477
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(781,101)	(206,211)
17.1	Current tax provision	V-IV-10	(132,068)	430,939
17.2	Expense effect of deferred tax (+)		(1,110,392)	(863,240)
17.3	Income effect of deferred tax (-)		461,359	226,090
XIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	V-IV-9	3,323,146	1,066,266
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-11	3,323,146	1,066,266
24.1.	Profit/Loss per share		3,268,390	1,038,928
24.2.	Non-controlling interest(-)		54,756	27,338
	Earnings per 100 Share (full TL)	III-XXIV	1.3074	0.4156

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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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Reviewed Prior Period January 1, 2017- September 30, 2017	Reviewed Prior Period July 1, 2017- September 30, 2017
	Notes			
I. INTEREST INCOME	V-IV-1		15,713,842	5,446,818
1.1 Interest income from loans	V-IV-1		13,079,654	4,770,082
1.2 Interest income from reserve deposits			155,913	61,816
1.3 Interest income from banks	V-IV-1		148,016	61,308
1.4 Interest income from money market transactions			27,007	4,552
1.5 Interest income from securities portfolio	V-IV-1		2,060,244	461,096
1.5.1 Trading financial assets			14,542	6,107
1.5.2 Financial assets designated at fair value through profit or loss			-	-
1.5.3 Available-for-sale financial assets			1,295,072	330,519
1.5.4 Held-to-maturity investments			750,630	124,470
1.6 Finance lease income			100,643	35,931
1.7 Other interest income			142,365	52,033
II. INTEREST EXPENSE	V-IV-2		9,153,670	3,546,271
2.1 Interest expense on deposits	V-IV-2		6,536,078	2,584,078
2.2 Interest expense on funds borrowed			591,942	212,720
2.3 Interest expense on money market transactions	V-IV-2		1,031,649	397,740
2.4 Interest expense on securities issued			709,272	263,557
2.5 Other interest expenses			284,729	88,176
III. NET INTEREST INCOME (I – II)			6,560,172	1,900,547
IV. NET FEES AND COMMISSIONS INCOME			891,966	334,212
4.1 Fees and commissions received			1,368,668	506,590
4.1.1 Non-cash loans			215,926	75,813
4.1.2 Others			1,152,742	430,777
4.2 Fees and commissions paid			476,702	172,378
4.2.1 Non-cash loans			2,775	655
4.2.2 Others			473,927	171,723
V. DIVIDEND INCOME			47,421	790
VI. TRADING INCOME/LOSSES (Net)	V-IV-3		136,652	8,389
6.1 Trading account income/losses	V-IV-3		58,328	14,493
6.2 Income/losses from derivative financial instruments	V-IV-3		(62,980)	(34,723)
6.3 Foreign exchange gains/losses	V-IV-3		141,304	28,619
VII. OTHER OPERATING INCOME	V-IV-4		2,101,662	676,943
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			9,737,873	2,920,881
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-5		1,963,326	578,918
X. OTHER OPERATING EXPENSES (-)	V-IV-6		4,032,859	1,341,056
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			3,741,688	1,000,907
XII. INCOME RESULTED FROM MERGERS			-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING			39,923	14,275
XIV. GAIN/LOSS ON NET MONETARY POSITION			-	-
XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)	V-IV-7		3,781,611	1,015,182
XVI. CONTINUING OPERATIONS PROVISION FOR TAXES	V-IV-10		(734,561)	(179,893)
16.1 Current tax charges	V-IV-10		(589,607)	(122,268)
16.2 Deferred tax credits			(144,954)	(57,625)
XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-9		3,047,050	835,289
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-11		3,047,050	835,289
23.1. Equity holders of the Bank			2,974,639	780,684
23.2. Non-controlling interest(-)			72,411	54,605
Earnings per 100 Share (full TL)	III-XXIV		1.1899	0.3123

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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
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

		Reviewed Current Period January 1, 2018- September 30, 2018
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I.	PROFIT (LOSS)	3,323,146
II.	OTHER COMPREHENSIVE INCOME	(44,394)
2.1.	Other comprehensive income that will not be reclassified to profit or loss	376,473
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	52,009
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(2,070)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	378,084
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(51,550)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(420,867)
2.2.1.	Exchange Differences on Translation	164,125
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(518,514)
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	(164,125)
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	97,647
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	3,278,752

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER
SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

		Reviewed Prior Period January 1, 2017- September 30, 2017
	GAINS AND LOSSES RECOGNIZED IN EQUITY	
I.	VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN	
	VALUATION DIFFERENCES OF MARKETABLE SECURITIES	210,828
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	(33,048)
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV.	CURRENCY TRANSLATION DIFFERENCES	38,956
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	7,368
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	(40,059)
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	184,045
XI.	CURRENT PERIOD'S PROFIT/(LOSS)	3,047,050
11.1	Change in fair value of securities (transfers to the statement of income)	757
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	3,046,293
XII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD (X+XI)	3,231,095

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 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								
Reviewed	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 September 30, 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of the Changes in Accounting																	
2.2. 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		-	-	-	-	15,429	(1,247)	365,689	164,125	(427,066)	(164,125)	-	-	3,268,390	3,221,195	57,557	3,278,752
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		-	-	-	-	-	-	-	-	-	-	-	(29,172)	-	(29,172)	3,002	(26,170)
IV. Profit Distribution		-	-	-	-	-	-	-	-	-	-	3,776,362	(3,776,362)	-	-	-	-
4.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,776,362	(3,776,362)	-	-	-	-
4.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance		2,500,000	724,269	-	80,404	1,062,385	(30,251)	421,830	164,125	(386,590)	(164,125)	18,581,459	582,333	3,268,390	26,804,229	737,662	27,541,891

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

	Reviewed	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
I.	Prior Period																			
	September 30, 2017																			
	Balances at the beginning of the period		2,500,000	-	727,780	-	1,436,787	6,337	10,156,575	606,809	-	2,775,944	(131,169)	997,197	3,683	-	-	19,079,943	527,529	19,607,472
	Changes during the period																			
II.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Associates, Subsidiaries and "Available-for-sale" securities		-	-	-	-	-	-	-	-	-	-	164,457	-	-	-	-	164,457	1,415	165,872
IV.	Hedges for risk management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Net cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net foreign investment hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	(31,349)	-	(2,127)	-	-	-	(33,476)	511	(32,965)
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	(69)	-	-	(69)	-	(69)
VIII.	Translation differences		-	-	-	-	-	-	-	38,956	-	-	-	-	-	-	-	38,956	-	38,956
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)	4,544	-	-	-	-	(32,552)	(615)	(33,167)
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		-	-	-	-	(31)	-	-	(351)	-	(1,629)	-	142	-	-	-	(1,869)	47,287	45,418
XVII.	Current period's net profit/loss		-	-	-	-	-	-	-	2,974,639	-	-	-	-	-	-	-	2,974,639	72,411	3,047,050
XVIII.	Profit distribution		-	-	-	273,709	-	2,282,667	20,048	-	(2,769,252)	-	49,444	-	-	-	-	(143,384)	5,098	(138,286)
18.1	Dividends		-	-	-	-	-	-	-	-	(120,000)	-	-	-	-	-	-	(120,000)	(18,286)	(138,286)
18.2	Transferred to reserves		-	-	-	273,709	-	2,282,667	20,048	-	(2,649,252)	-	49,444	-	-	-	-	(23,384)	23,384	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance		2,500,000	-	727,780	-	1,710,465	6,337	12,439,242	665,462	2,974,639	(63,382)	37,832	1,044,656	3,614	-	-	22,046,645	653,636	22,700,281

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

	Notes	Reviewed Current Period September 30, 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities (+)		4,850,112
1.1.1 Interest received (+)		19,626,530
1.1.2 Interest paid (-)		(14,215,802)
1.1.3 Dividends received (+)		13,223
1.1.4 Fees and commissions received (+)		2,182,392
1.1.5 Other income (+)		1,013,884
1.1.6 Collections from previously written off loans and other receivables (+)		2,022,089
1.1.7 Cash payments to personnel and service suppliers (-)		(2,011,509)
1.1.8 Taxes paid (-)		(1,261,761)
1.1.9 Other (+/-)		(2,518,934)
1.2 Changes in operating assets and liabilities subject to banking operations		125,627
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		41,568
1.2.2 Net (increase) decrease in due from banks (+/-)		(5,009,562)
1.2.3 Net (increase) decrease in loans		(53,152,254)
1.2.4 Net (increase) decrease in other assets (+/-)		(123,405)
1.2.5 Net increase (decrease) in bank deposits (+/-)		(1,875,748)
1.2.6 Net increase (decrease) in other deposits (+/-)		37,127,494
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 (+/-)		20,634,565
1.2.9 Net increase (decrease) in matured payables (+/-)		-
1.2.10 Net increase (decrease) in other liabilities (+/-)		2,482,969
I. Net cash provided from banking operations(+/-)		4,975,739
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities(+/-)		(13,702,385)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(20,876)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3 Cash paid for the purchase of tangible and intangible asset (-)		(364,604)
2.4 Cash obtained from the sale of tangible and intangible asset (+)		465,639
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(6,304,313)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		2,602,318
2.7 Cash paid for the purchase of financial assets at amortised cost (-)		(10,846,180)
2.8 Cash obtained from sale of financial assets at amortised cost (+)		808,254
2.9 Other (+/-)		(42,623)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flows from financing activities (+/-)		16,633,200
3.1 Cash obtained from funds borrowed and securities issued (+)		26,060,041
3.2 Cash outflow from funds borrowed and securities issued (-)		(9,301,841)
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		(151,014)
V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)		7,755,540
VI. Cash and cash equivalents at beginning of the period (+)		20,110,705
VII. Cash and cash equivalents at end of the period (V+VI)		27,866,245

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017**

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

		Reviewed Prior Period September 30, 2017
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	4,919,667
1.1.1	Interests received	14,545,668
1.1.2	Interests paid	(8,635,534)
1.1.3	Dividends received	17,805
1.1.4	Fee and commissions received	1,368,668
1.1.5	Other income	983,609
1.1.6	Collections from previously written-off loans and other receivables	971,914
1.1.7	Payments to personnel and service suppliers	(1,615,771)
1.1.8	Taxes paid	(686,199)
1.1.9	Other	(2,030,493)
1.2	Changes in operating assets and liabilities	(4,225,523)
1.2.1	Net (increase) decrease in financial assets held for trading purpose	14,623
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	(2,523,001)
1.2.4	Net (increase) decrease in loans	(28,656,490)
1.2.5	Net (increase) decrease in other assets	(651,892)
1.2.6	Net increase (decrease) in bank deposits	1,484,118
1.2.7	Net increase (decrease) in other deposits	20,121,337
1.2.8	Net increase (decrease) in funds borrowed	3,283,354
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	2,702,428
I.	Net cash flow from banking operations	694,144
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net cash flow from investing activities	(1,466,561)
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	Cash paid for purchase of tangible assets	(200,390)
2.4	Proceeds from disposal of tangible assets	400,076
2.5	Cash paid for purchase of available-for-sale financial assets	(5,696,303)
2.6	Proceeds from disposal of available-for-sale financial assets	4,425,315
2.7	Cash paid for purchase of held-to-maturity investments	(1,602,467)
2.8	Proceeds from disposal of held-to-maturity investments	1,256,354
2.9	Other	(49,378)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash flow from financing activities	2,215,330
3.1	Cash obtained from funds borrowed and securities issued	9,158,817
3.2	Cash used for repayment of funds borrowed and securities issued	(6,805,201)
3.3	Equity instruments issued	-
3.4	Dividends paid	(138,286)
3.5	Repayments for finance leases	-
3.6	Other	-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	26,665
V.	Net (decrease) / increase in cash and cash equivalents	1,469,578
VI.	Cash and cash equivalents at the beginning of the period	12,421,404
VII.	Cash and cash equivalents at the end of the period	13,890,982

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the "Banking Regulation and Supervision Agency" ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published.

The preparation of financial statements 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 Parent 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.

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 has no significant impact on the Parent Bank's accounting policies, financial position and performance.

The Parent Bank has started to work on compliance with the TFRS 16 Leases Standard effective from January 1, 2019 and continues its works in order to comply with related standard as of September 30, 2018

The Group has started to work on compliance with the TFRS 17 Insurance Contracts Standard effective from January 1, 2019 and continues its works in order to comply with related standard as of September 30, 2018.

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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

ACCOUNTING POLICIES (Continued)

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

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.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

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

As of September 30, 2016 reporting period, the Group started the fair value risk hedging strategy in order to avoid currency risk due to the share of Vakıfbank International AG's 67.5 million Euros that is represented in paid-in capital. The 68.5 million Euros of the nominal amount of 500 million Euros of the securities issued by the Parent Bank on May 4, 2016 with a maturity date of May 4, 2021 has been declared as the hedging instrument. In the subject process, the fair value changes that are related to the hedged investments abroad are recognized in the income statements as long as the hedge is effective. In this context, the foreign exchange differences recognized in the income statement as at September 30, 2018 is TL 164,125. 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 September 30, 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

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

Consolidated subsidiaries

As at and for the nine-month period ended September 30, 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 Portföy Yönetimi AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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 Parent 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 September 30, 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

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

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

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at September 30, 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 nine-month period ended September 30, 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 Parent 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 Parent Bank mainly consist of currency and interest rate swaps, precious metal swaps, foreign currency forward contracts and currency options. The Parent Bank has classified its derivative transactions as "Derivative Financial Assets at Fair Value Through Profit or Loss" in accordance with the TAS 39 – Financial Instruments: Recognition and Measurement.

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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

Interest income and expense are recognized according to the effective interest method based on accrual basis.

The Parent Bank has started to calculate rediscount for non-performing loans from January 1, 2018. The net carrying amount of non-performing loans (Gross Carrying Amount- Expected Credit Loss) is discounted with effective interest rate and accounted on the gross carrying amount of the non-performing receivables.

Finance leasing activities

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

Factoring operations

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

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

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. When the business model determined by the The Parent Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss

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

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment. During initial recognition an entity can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial Assets Measured at Amortized Cost

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

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

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

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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS

As of January 1, 2018, the Parent 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 provision calculations in accordance with TFRS 9, although may vary exceptionally, with three main parameters for each loan. Exposure at Default (EAD), Loss Given Default (LGD), Probability of Default (PD).

Exposure at Default: Represents the amount of risk on the default date of the debtor in case of default.

According to TFRS 9 in calculating the default amount, the estimation of how customer risk rating changes over time is important. Exposure of Default values are calculated different for cash-loans and non-cash loans

Monetary risks are fundamentally divided into two; related and unrelated to amortization plan. EAD is calculated, either by taking into account loan installments being paid in the future over balance change for cash loans with payment plan, or by keeping credit balance constant for cash loans without payment plan. For Non-cash Loans and Limit Commitments EAD is calculated by regarding to credit conversion rate and behavioral maturity periods.

Loss Given Default: The ratio that provides the uncollectable amount of the receivable 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.

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

In addition to these parameters, macroeconomic forecasts are included in the calculation of expected loss provision by estimating within two sets of scenarios, which are base and negative case scenarios. Future macroeconomic expectations taken into account in accordance with TFRS 9 are in line with the economic forecasts of the Parent Bank's current Budget and ICAAP processes.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS (Continued)

Significant Increase in the 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
- The classification of the financial asset under stage 2 in the case of financial receivable reconstruction
- Internal classification system that is established according to the information gathered by the Parent Bank
- Comparison between the default risk of the debtor and the default risk of receivable as of the granting date based on the change in the rating/score info as of reporting date.

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.

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

Tangible assets of the Parent Bank acquired in consideration of receivables are accounted for in accordance with the requirements of the Communiqué on "Methods, Principles for Purchase and Sale of Precious Metal and Sale of Goods and Immovables obtained in Return of Receivables" published in the Official Gazette numbered 26333 and dated November 1, 2006 and these assets are subject to revaluation by no means.

A discontinued operation is a part of the Parent 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 Parent Bank has no discontinued operations.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, the Parent Bank has no goodwill.

The Parent 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 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 Parent Bank's intangible assets are 3-15 years, and amortization rates are between 6.67% and 33.33%.

XIII. INFORMATION ON TANGIBLE ASSETS

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

ACCOUNTING POLICIES (Continued)

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. Operational leasing payments are recognized in equal payments as expense under income statement during the leasing period.

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

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

XVI. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

ACCOUNTING POLICIES (Continued)

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

Other benefits to employees

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

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

Pension fund

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

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

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

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

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

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

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, 2017 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at September 30, 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, 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 Parent 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

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 10/06/1985, 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 Parent 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.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

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 EQUIVALENT

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The Parent Bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at September 30, 2018, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 145,560 (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 the Group's risk and return structure and key sources which is disclosed in Section 4 Note VII.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the nine-month period ended September 30, 2018, earnings per 100 shares are full TL 1.3074 (September 30, 2017: full TL 1.1899).

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 mathematical reserves provided. 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

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

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

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

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

Individual pension business

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

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

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

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

Classifications

Reclassification procedures in scope of TFRS 9 are stated below.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

TFRS 9 Financial Instruments implementation and effects

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

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

Classification and measurement of financial instruments

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

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

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

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Parent 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 Parent 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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, other than the credit-linked bonds.

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

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

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

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

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

The Parent 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

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

In addition to the statements above, since the previous categories under TAS 39 of the debt instruments below were "out of action", 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 Parent 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

XXIV. OTHER MATTERS (Continued)

Effects on equity with TFRS 9 transition

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

The financial assets included in this group are, "Trading financial assets" 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

ACCOUNTING POLICIES (Continued)

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

Available-for-sale financial assets

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

Held-to-maturity investments

Held to maturity investments are the financial assets with fixed maturities and fixed or determinable payment schedules that are acquired with the intent to hold until maturity, including funding capability, except loans and receivables.

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 Parent 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 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

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". In addition, recent regulatory changes to be considered are as follows:

- According to the Regulation No. 10513 of BRSA, dated August 12, 2018 in the calculation of capital adequacy ratio, the equity amount calculated without taking into account the negative valuation differences of the securities included in the "Financial Assets at Fair Value through Other Comprehensive Income" portfolio acquired before this date is used.
- According to the Regulation No. 10578 of BRSA, dated August 13, 2018 in the calculation of TL equivalents of the foreign currency subject to credit risk the foreign exchange rate used is the higher of simple arithmetic average of the Central Bank's foreign exchange buying rates for 252 business days before the report date and the foreign exchange buying rate used in the preparation of financial statements as of June 30, 2018.

As of September 30, 2018 Group's capital adequacy ratio is 16.79 (December 31, 2017: 14.95).

Information about the consolidated shareholder equity items

Current Period - September 30, 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	724,269	
Reserves	18,581,459	
Income recognized under equity in accordance with TAS	1,481,949	
Profit	3,850,723	
Current Period's Profit	3,268,390	
Prior Period's Profit	582,333	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	80,404	
Minority shares	737,490	
Common Equity Tier 1 Capital Before Deductions	27,956,294	
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	36,794	-
Leasehold Improvements on Operational Leases	211,278	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	280,919	280,919
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
Total regulatory adjustments to Common equity Tier 1	528,991	-
Common Equity Tier 1 capital (CET1)	27,427,303	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	4,993,575	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

		Amount as per the regulation before
Current Period- September 30, 2018	Amount	1/1/2014(*)
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 Capital (AT1)	4,993,575	-
Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)	32,420,878	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	5,532,766	-
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)	172	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2,793,163	-
Tier 2 Capital Before Deductions	8,326,101	-
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	8,326,101	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	40,746,979	-
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 (-)	1,569	-
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	40,745,410	-
Total Risk Weighted Amounts	242,723,842	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.30	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.38	-
Consolidated Capital Adequacy Ratio (%)	16.79	-
BUFFERS		
Total additional core capital requirement (a+b+c)	2.639	-
a) Capital conservation buffer requirement (%)	1.875	-
b) Bank specific counter-cyclical buffer requirement (%)	0.014	-
c) Systemically important bank 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 (%)	6.80	-
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)	4,092,683	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	2,793,163	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

		Amount	Amount as per the regulation before 1/1/2014(*)
Prior Period - December 31, 2017			
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 1 Capital (ATI)		-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)		23,174,257	-
TIER 2 CAPITAL			
Bank's borrowing instruments and related issuance premium		4,079,148	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)		809,717	-
Third parties' share in the Tier II Capital -		-	-
Third parties' share in the Tier II Capital (Temporary Article 3)		6,385	-
Provisions (Article 8 of the Regulation on the Equity of Banks)		1,885,493	-
Tier 2 Capital Before Deductions		5,971,026	-
Deductions From Tier 2 Capital			
Bank's direct or indirect investment in Tier 2 Capital (-)		-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8		-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)		-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital		-	-
Other Items Determined by BRSA (-)		-	-
Total Deductions From Tier 2 Capital		-	-
Tier 2 Capital		5,971,026	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)		29,145,283	-
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)			
Loan granted to Customer against the Articles 50 and 51 of the Banking Law		-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)		-	-
Other items to be defined by the BRSA (-)		1,355	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components			
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks		-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks		-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks		-	-
TOTAL CAPITAL			
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 (%)**		0.50	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)		7.42	-
Amounts below deduction thresholds			
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital		-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital		-	-
Mortgage servicing rights		-	-
Deferred tax assets arising from temporary differences (net of related tax liability)		-	-
Limits related to provisions considered in Tier 2 calculation			
General provisions for standard based receivables (before tenthousandtwentyfive limitation)		1,885,493	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used		2,244,752	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)			
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4		-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4		-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4		-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4		-	-

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Information about the debt instruments included in the consolidated equity calculation

Current Period - 30 September 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 Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment					
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	652	2,991	1,366	525	4,994
Par value of instrument (in million)	4,034	3,000	1,366	525	4,994
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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 the additional Tier I 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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - 31 December 2017				
Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	810	1,884	860	525
Par value of instrument (in million)	2,523	1,890	860	525
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Reconciliation of capital items to balance sheet:

	Current Period - September 30, 2018
Shareholders' equity	27,541,891
Marketable Securities Valuation Differences	377,781
Leasehold improvements on operational leases	(211,278)
Goodwill and intangible assets	(280,919)
General provision (1.25% of the amount that subject to credit risk)	2,793,163
Subordinated debt	10,526,341
Deductions from shareholders' equity	(1,569)
Capital	40,745,410
	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 FOREIGN CURRENCY EXCHANGE RISK

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

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

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

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

As at September 30, 2018 and December 31, 2017, the Group does not have derivative financial instruments held for risk management purpose.

Foreign exchange risk management policy

Risk policy 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	6.0000	6.9549
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	5.9648	6.9755
Day 2	6.0976	7.1572
Day 3	6.2054	7.3136
Day 4	6.1538	7.2518
Day 5	6.2814	7.3827
	US Dollar	Euro
Last 30-days arithmetical average rate	6.3103	7.3289

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Information on currency risk

Current Period- September 30, 2018	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	16,621,745	9,462,278	4,886,100	30,970,123
Banks	1,652,078	9,091,011	287,384	11,030,473
Financial assets at fair value through profit or loss	-	97,856	-	97,856
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	1,407,474	877,702	-	2,285,176
Loans ^{(1) (2)}	46,691,570	53,550,093	100,925	100,342,588
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	815,398	7,866,389	-	8,681,787
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	2,227	11,634	-	13,861
Intangible assets	404	-	-	404
Other assets ⁽³⁾	2,633,346	6,710,815	1,919	9,346,080
Total assets	69,824,245	87,667,778	5,276,328	162,768,351
<i>Liabilities:</i>				
Bank deposits	2,274,716	2,731,856	766,327	5,772,899
Foreign currency deposits	36,917,520	37,688,734	2,915,194	77,521,448
Interbank money market takings	703,176	2,969,766	-	3,672,942
Other funding	21,023,772	28,422,466	11,949	49,458,187
Securities issued	6,881,110	12,986,367	-	19,867,477
Miscellaneous payables	2,267,138	124,987	2,321	2,394,446
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities ⁽⁴⁾	426,116	9,982,064	14,905	10,423,085
Total liabilities	70,493,548	94,906,240	3,710,696	169,110,484
Net 'on balance sheet' position	(669,303)	(7,238,462)	1,565,632	(6,342,133)
Net 'off-balance sheet' position	1,709,860	9,325,787	(1,556,784)	9,478,863
Derivative assets ⁽⁵⁾	16,846,709	39,490,083	1,257,415	57,594,207
Derivative liabilities ⁽⁵⁾	15,136,849	30,164,296	2,814,199	48,115,344
Non-cash loans ⁽⁶⁾	12,034,335	19,832,641	449,108	32,316,084
Prior Period-- December 31, 2017	Euro	US Dollar	Other FC	Total
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 4,485,383 (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 179,557 (December 31, 2017: TL 259,923) presented in TL column in the accompanying consolidated balance sheet are included.

⁽³⁾ Prepaid expenses amounting to TL 156,775 (December 31, 2017: TL 95,376) and derivative financial assets resulting from currency exchange rate rediscounts amounting to TL 117,546 (December 31, 2017: TL 13,982) are not included.

⁽⁴⁾ Unearned revenues amounting to TL 299,114 (December 31, 2017: TL 197,598) and derivative financial liabilities resulting from currency exchange rate rediscounts amounting to TL 47,606 (December 31, 2017: TL 34,557), deferred tax liabilities amounting to TL 22,541 (December 31, 2017: TL 60,252), equities amounting to TL 778,768 (December 31, 2017: TL 631,816) are not included.

⁽⁵⁾ Asset purchase commitments amounting to TL 1,131,083 (December 31, 2017: TL 232,555) and asset sales commitments amounting to TL 967,716 (December 31, 2017: TL 728,635) are included.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10 percent depreciation of the TL against the following currencies as at and for the nine-month period ended September 30, 2018 and September 30, 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 - September 30, 2018	
	Profit or loss	Equity ^(*)
US Dollar	205,905	205,905
Euro	105,456	176,609
Other currencies	885	885
Total, net^(**)	312,246	383,399

	Prior Period - September 30, 2017	
	Profit or loss	Equity ^(*)
US Dollar	112,124	112,124
Euro	76,906	135,057
Other currencies	(321)	(321)
Total, net^(**)	188,709	246,860

^(*) 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 percent appreciation of the TL against the following currencies as at and for the nine-month period ended September 30, 2018 and September 30, 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 - September 30, 2018	
	Profit or loss	Equity ^(*)
US Dollar	(205,905)	(205,905)
Euro	(105,456)	(176,609)
Other currencies	(885)	(885)
Total, net^(**)	(312,246)	(383,399)

	Prior Period - September 30, 2017	
	Profit or loss	Equity ^(*)
US Dollar	(112,124)	(112,124)
Euro	(76,906)	(135,057)
Other currencies	321	321
Total, net^(**)	(188,709)	(246,860)

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

III. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

Current Period- September 30, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing^(*)	Total
<i>Assets:</i>							
Cash and balances with CBRT	11,931,570	-	-	-	-	23,851,540	35,783,110
Banks	8,361,185	657,194	4,289	-	-	2,884,895	11,907,563
Financial assets at fair value through profit/loss	17,792	33,196	12,932	118	7,540	96,737	168,315
Interbank money market placements	3,411	4,556	-	-	-	-	7,967
Financial assets at fair value through other comprehensive	584,988	1,399,748	2,926,399	2,735,802	1,814,142	3,921	9,465,000
Loans (**)	104,159,200	27,589,220	32,488,936	51,172,322	24,895,978	2,576,185	242,881,841
Financial assets measured at amortized cost	2,026,557	7,490,856	10,831,764	10,632,609	8,145,767	-	39,127,553
Other assets (*)	1,109,423	1,638,836	307,340	2,923,028	201,943	21,235,317	27,415,887
Total assets	128,194,126	38,813,606	46,571,660	67,463,879	35,065,370	50,648,595	366,757,236
<i>Liabilities:</i>							
Bank deposits	7,053,179	500,286	7,530	-	-	376,072	7,937,067
Other deposits	116,145,722	21,458,858	13,461,011	2,120,335	43,526	33,429,819	186,659,271
Interbank money market takings	26,021,040	356,777	108,472	1,214,269	-	-	27,700,558
Miscellaneous payables	-	-	-	-	-	9,284,968	9,284,968
Securities issued	1,454,287	6,352,426	4,906,990	16,171,364	-	-	28,885,067
Funds borrowed	15,136,585	17,358,075	13,209,809	3,416,470	2,423,530	486,559	52,031,028
Other liabilities (**)	197,853	774,727	1,540,844	8,855,663	8,586,108	34,304,082	54,259,277
Total liabilities	166,008,666	46,801,149	33,234,656	31,778,101	11,053,164	77,881,500	366,757,236
On balance sheet long position	-	-	13,337,004	35,685,778	24,012,206	-	73,034,988
On balance sheet short position	(37,814,540)	(7,987,543)	-	-	-	(27,232,905)	(73,034,988)
Off-balance sheet long position	1,476,908	6,193,877	99,901	-	13,308	-	7,783,994
Off-balance sheet short position	-	-	-	(2,637,880)	-	-	(2,637,880)
Net position	(36,337,632)	(1,793,666)	13,436,905	33,047,898	24,025,514	(27,232,905)	5,146,114

(*) 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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

	Euro	US Dollar	Yen	TL
	%	%	%	%
Current Period- September 30, 2018				
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	13.00
Banks	0.59	2.21	-	25.53
Financial assets at fair value through profit/loss	-	11.82	-	16.95
Interbank money market placements	-	-	-	20.80
Financial assets at fair value through other comprehensive income	2.96	6.40	-	14.92
Loans	5.19	7.63	-	21.28
Financial assets measured at amortized cost	5.05	6.48	-	14.53
<i>Liabilities:</i>				
Bank deposits	1.75	3.75	-	25.16
Other deposits	2.55	5.60	-	19.61
Interbank money market takings	1.04	3.12	-	23.65
Miscellaneous payables	-	-	-	-
Securities issued	2.91	5.49	-	19.37
Funds borrowed	1.54	4.11	-	16.80
Prior Period- December 31, 2017				
<i>Assets:</i>				
Cash and balance with CBRT	-	1.50	-	4.00
Banks	0.19	4.02	-	14.18
Financial assets at fair value through profit/loss	-	11.82	-	13.81
Interbank money market placements	-	-	-	12.75
Available-for-sale financial assets	4.25	4.12	-	11.96
Loans and receivables	4.81	6.51	-	15.96
Held-to-maturity investments	5.05	6.52	-	11.51
<i>Liabilities:</i>				
Bank deposits	0.36	1.53	-	14.33
Other deposits	1.72	3.54	-	12.11
Interbank money market takings	-	2.09	-	12.61
Miscellaneous payables	-	-	-	-
Securities issued	2.90	4.84	-	13.73
Funds borrowed	1.32	3.21	-	13.37

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

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

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

Current Period- September 30, 2018	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	315,932	315,932	315,932
1.Stocks Investments Group A	315,030	315,030	315,030
2.Stock Investments Group B	902	902	902
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	848,308	785,581	-

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

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

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

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

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

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

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

Portfolio	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Included in Principal Capital	Total ^(*)	Included in Principal Capital	Total ^(*)
Current Period-September 30, 2018					
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	419,225	419,225	-	-
4. Total	-	419,225	419,225	-	-

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

IV. CONSOLIDATED STOCK POSITION RISK (Continued)

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio			
Current Period- September 30, 2018	Carrying Value	Total RWA ^(*)	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	315,932	313,469	25,078
3.Other Stocks	848,308	825,964	66,077
4. Total	1,164,240	1,139,433	91,155

^(*) According to the Regulation No. 10578 of BRSA, dated August 13, 2018 in the calculation of TL equivalents of the foreign currency subject to credit risk the foreign exchange rate used is the higher of simple arithmetic average of the Central Bank's foreign exchange buying rates for 252 business days before the report date and the foreign exchange buying rate used in the preparation of financial statements as of June 30, 2018.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

V. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

In addition to the structure described concerning the Group's liquidity risk management, various systems and processes are also available subsidiaries and associates. These systems and processes are designed in a way compatible with the generally accepted approach concerning liquidation risk management and legal regulations that each subsidiary and associate is subject to be. Besides the established structures and arrangements are able to execute liquidation risk management of subsidiaries and associates effectively within the organization, it is expected that these established structures and arrangements are also 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 Parent Bank's liquidity is managed in line with Treasury Department policies, daily TL and FC liquidity position Bank balance sheet and income goals.

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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

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

The Parent Bank's total liquidity coverage ratio averages for current period. 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	September 2018	107.92	September 2018	239.52
The highest value	August 2018	126.63	August 2018	315.08

Liquidity Coverage Ratio

Current Period- September 30, 2018		Total unweighted value*		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			47,513,849	31,964,674
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	84,024,111	31,355,168	8,570,917	4,038,290
3	Stable deposits	23,732,946	-	1,290,603	-
4	Less stable deposits	60,291,165	31,355,168	7,280,314	4,038,290
5	Unsecured wholesale funding, of which:	78,140,121	27,475,336	40,932,724	16,867,774
6	Operational deposits	39,752,007	9,747,636	11,611,814	3,948,459
7	Non-operational deposits	26,332,282	11,787,009	16,200,748	7,976,869
8	Unsecured debt	12,055,832	5,940,691	13,120,162	4,942,446
9	Secured wholesale funding			-	-
10	Additional requirements of which:	13,814,315	10,333,295	15,399,196	12,908,402
11	Outflows related to derivative exposures and other collateral requirements	13,814,315	10,333,295	15,399,196	12,908,402
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	21,252,352	19,366,103	1,420,947	1,383,718
15	Other contingent funding obligations	70,885,784	19,049,129	6,784,765	1,845,925
16	TOTAL CASH OUTFLOWS			73,108,549	37,044,109
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	20,539,164	9,837,337	19,262,262	13,012,030
19	Other cash inflows	11,118,950	10,266,218	12,822,992	12,193,177
20	TOTAL CASH INFLOWS	31,658,114	20,103,555	32,085,254	25,205,207
Upper Limit Applied Values					
21	TOTAL HQLA			47,513,849	31,964,674
22	TOTAL NET CASH OUTFLOWS			41,023,295	11,838,902
23	LIQUIDITY COVERAGE RATIO (%)			116.47	271.33

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

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

The Parent Bank's total liquidity coverage ratio averages for prior period. 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 2017	90.46	October 2017	234.96
The highest value	December 2017	113.84	November 2017	243.8

Liquidity Coverage Ratio

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)			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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

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

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

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

Whereas the Group's important fund sources are deposits, funds obtained from other financial institutions, 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 – September 30, 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	31,262,425	4,520,685	-	-	-	-	-	35,783,110
Banks	2,884,895	7,545,460	1,472,919	4,289	-	-	-	11,907,563
Financial assets at fair value through profit/loss	6,289	7,941	6,541	36,572	7,786	12,738	90,448	168,315
Interbank money market placements	-	3,411	4,556	-	-	-	-	7,967
Financial assets at fair value through other comprehensive income	-	385,910	139,190	1,814,738	4,546,873	2,574,368	3,921	9,465,000
Loans	-	20,112,015	9,080,022	41,154,944	102,689,170	67,269,505	2,576,185	242,881,841
Financial assets measured at amortized cost	-	120,370	2,451,129	19,789,811	16,766,243	-	-	39,127,553
Other assets	9,290	2,379,878	174,970	335,550	5,373,500	477,395	18,665,304	27,415,887
Total assets	34,162,899	35,075,670	10,878,198	45,797,222	132,407,140	87,100,249	21,335,858	366,757,236
Liabilities:								
Bank deposits	376,072	7,053,179	500,286	7,530	-	-	-	7,937,067
Other deposits	34,182,214	116,140,806	21,182,584	12,721,594	2,374,639	57,434	-	186,659,271
Funds borrowed	-	7,002,550	1,865,789	18,726,242	18,320,115	6,116,332	-	52,031,028
Interbank money market takings	-	25,194,624	356,777	-	1,816,954	332,203	-	27,700,558
Securities issued	-	1,268,983	6,103,316	4,214,735	17,298,033	-	-	28,885,067
Miscellaneous payables	6,228	47,981	73,933	47,917	1,963	-	9,106,946	9,284,968
Other liabilities	104,933	1,509,018	997,203	1,388,497	7,425,040	5,111,766	37,722,820	54,259,277
Total liabilities	34,669,447	158,217,141	31,079,888	37,106,515	47,236,744	11,617,735	46,829,766	366,757,236
Liquidity gap	(506,548)	(123,141,471)	(20,201,690)	8,690,707	85,170,396	75,482,514	(25,493,908)	-
Net Off Balance Sheet Position	-	(13,333)	(145)	316,891	4,260,961	609,165	-	5,173,539
Receivables from Derivative Financial Instruments	-	12,459,317	1,914,753	3,445,844	28,248,959	19,354,235	-	65,423,108
Payables from Derivative Financial Instruments	-	12,472,650	1,914,898	3,128,953	23,987,998	18,745,070	-	60,249,569
Non-cash Loans	7,595,808	2,070,216	41,216,957	13,269,190	7,507,757	1,112,432	479,063	73,251,423
Prior Period – December 31, 2017								
Total assets	29,970,756	30,113,078	7,703,109	36,938,146	106,325,658	57,729,995	12,078,264	280,859,006
Total liabilities	30,123,512	120,627,784	30,938,749	31,902,986	23,974,261	11,467,155	31,824,559	280,859,006
Liquidity gap	(152,756)	(90,514,706)	(23,235,640)	5,035,160	82,351,397	46,262,840	(19,746,295)	-
Net Off Balance Sheet Position	-	94,163	5,183	113,226	1,271,821	974,446	-	2,458,839
Receivables from Derivative Financial Instruments	-	4,193,884	3,236,673	2,895,897	13,990,524	7,587,873	-	31,904,851
Payables from Derivative Financial Instruments	-	4,099,721	3,231,490	2,782,671	12,718,703	6,613,427	-	29,446,012
Non-cash Loans	5,213,196	1,431,728	29,600,053	7,378,630	6,202,111	1,255,848	242,136	51,323,702

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder's equity in the liabilities have been included in the "Undistributed" column.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**

FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

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

VI. CONSOLIDATED LEVERAGE RATIO

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

The Group's consolidated leverage rate which is calculated due to "Regulation on Banks' Measurement and Evaluation of Leverage Level" actualised as 6.14%. 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
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⁾	(2,990,223)
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⁾	8,243,607
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⁾	18,235,655
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⁾	(107,061,018)
Total risk amount	356,808,448

	Prior Period
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	243,233,266
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⁾	(1,913,734)
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 amounts represent December 31, 2017 and June 30, 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.

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

VI. CONSOLIDATED LEVERAGE RATIO (Continued)

Leverage Ratio

On-balance sheet exposures		Current Period - September 30, 2018 ^(*)
1.	On-balance sheet items (excluding derivatives and SFTs; including collateral)	358,324,620
2.	Assets deducted in determining Basel III Tier 1 capital	(492,013)
3.	Total on-balance sheet exposures (excluding derivatives and SFTs)	357,832,607
Derivative exposures		
4.	Replacement cost	6,635,733
5.	Add-on amount	1,066,721
6.	Total derivative exposures	7,702,454
Securities financing transaction exposures		
7.	Gross SFT assets (with no recognition of accounting netting)	3,435,114
8.	Agent transaction exposures	-
9.	Total securities financing transaction exposures	3,435,114
Other off-balance sheet exposures		
10.	Off-balance sheet exposures with gross nominal amount	140,954,012
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	(48,971,868)
12.	Total off-balance sheet exposures	91,982,144
Capital and total exposures		
13.	Tier 1 capital	28,279,718
14.	Total exposures	460,952,319
Leverage ratio		
15.	Leverage ratio	6.14

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

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	80,461,669
11.	Adjustment amount off-balance sheet exposures with credit conversion factor	2,009,397
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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

VII. 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 Group. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	5,151,955	12,662,315	6,351,866	17,813	24,183,949
<i>Interest income from loans</i>	<i>5,151,955</i>	<i>12,520,838</i>	<i>2,201,337</i>	-	<i>19,874,130</i>
<i>Interest income from reserve deposits</i>	-	-	<i>274,509</i>	-	<i>274,509</i>
<i>Interest income from securities portfolio</i>	-	-	<i>3,616,604</i>	-	<i>3,616,604</i>
<i>Interest income from banks</i>	-	-	<i>240,082</i>	-	<i>240,082</i>
<i>Interest income from money market transactions</i>	-	-	<i>19,334</i>	-	<i>19,334</i>
<i>Finance lease income</i>	-	<i>141,477</i>	-	-	<i>141,477</i>
<i>Other interest income</i>	-	-	-	17,813	17,813
Interest Expense	5,262,645	4,894,645	5,302,125	103,886	15,563,301
<i>Interest expense on deposits</i>	<i>5,262,645</i>	<i>4,603,284</i>	<i>360,362</i>	-	<i>10,226,291</i>
<i>Interest expense on funds borrowed</i>	-	<i>291,361</i>	<i>874,917</i>	-	<i>1,166,278</i>
<i>Interest expense on money market transactions</i>	-	-	<i>2,148,348</i>	-	<i>2,148,348</i>
<i>Interest expense on securities issued</i>	-	-	<i>1,586,743</i>	-	<i>1,586,743</i>
<i>Other interest expenses</i>	-	-	<i>331,755</i>	103,886	<i>435,641</i>
Net Interest Income	(110,690)	7,767,670	1,049,741	(86,073)	8,620,648
Net Fees and Commissions Income	491,460	771,437	186,542	-	1,449,439
Trading Income/ Losses (Net)	-	-	686,966	-	686,966
Dividend Income	-	-	48,618	-	48,618
Other Income (*)	-	-	-	2,619,238	2,619,238
Provision For Losses on Loans and Other Receivables	360,931	3,700,127	4,535	-	4,065,593
Other Expenses (**)	-	-	-	5,293,610	5,293,610
Income/Loss From Investments Under Equity Accounting	-	-	38,541	-	38,541
Profit Before Taxes	19,839	4,838,980	2,005,873	(2,760,445)	4,104,247
Provision for taxes	-	-	-	(781,101)	(781,101)
Net Profit/ Loss	19,839	4,838,980	2,005,873	(3,541,546)	3,323,146
SEGMENT ASSETS					
Securities Portfolio	-	-	48,760,868	-	48,760,868
Derivative Financial Assets Held for Trading Purpose	-	-	6,177,143	-	6,177,143
Banks and Receivables From Money Markets	-	-	11,915,530	-	11,915,530
Investments in Associates and Subsidiaries	-	-	1,067,616	-	1,067,616
Loans and Receivables	52,780,102	137,596,689	52,505,050	-	242,881,841
Other Assets	-	-	33,619,320	22,334,918	55,954,238
TOTAL ASSETS	52,780,102	137,596,689	154,045,527	22,334,918	366,757,236
SEGMENT LIABILITIES					
Deposits	94,556,714	92,102,557	7,937,067	-	194,596,338
Derivative Financial Liabilities Held for Trading Purpose	-	-	3,477,765	-	3,477,765
Interbank Money Market Takings	-	-	27,700,558	-	27,700,558
Funds Borrowed	-	1,929,291	50,101,737	-	52,031,028
Securities Issued	-	-	28,885,067	-	28,885,067
Other Liabilities	-	1,275	13,991,417	12,558,254	26,550,946
Provisions and Tax Liabilities	-	-	-	5,973,643	5,973,643
Equity	-	-	-	27,541,891	27,541,891
TOTAL LIABILITIES AND EQUITY	94,556,714	94,033,123	132,093,611	46,073,788	366,757,236

(*) TL 1,031,343 amount of TL 2,619,238 shown in other income consist of acquired insurance premiums, TL 800,283 of income from reversal of the specific provisions for loans from prior periods, TL 138,361 of income from the sale of Group's assets, TL 27,047 from communications income, TL 163,380 of leasing income, TL 93,345 of income from private pension activities and the remaining TL 365,479 of other operating income.

(**) TL 1,793,204 amount of TL 5,293,610 shown in other expenses line consists of personnel expenses, TL 2,177,376 of other operating expenses, TL 150,841 of depreciation expenses, TL 193,575 of dividend reserves expenses to be given to personnel, TL 145,315 of Savings Deposit Insurance Fund (SDIF) expenses, TL 289,777 of taxes and funds expenses, TL 9,469 pension compensations, TL 74,280 from cumulative/noncumulative commission expenses, TL 189,038 from production commission expenses and the remaining TL 270,735 of other expenses.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,104,108	8,002,183	3,593,089	14,462	15,713,842
<i>Interest income from loans</i>	<i>4,104,108</i>	<i>7,773,637</i>	<i>1,201,909</i>	-	<i>13,079,654</i>
<i>Interest income from reserve deposits</i>	-	-	<i>155,913</i>	-	<i>155,913</i>
<i>Interest income from securities portfolio</i>	-	-	<i>2,060,244</i>	-	<i>2,060,244</i>
<i>Interest income from banks</i>	-	-	<i>148,016</i>	-	<i>148,016</i>
<i>Interest income from money market transactions</i>	-	-	<i>27,007</i>	-	<i>27,007</i>
<i>Finance lease income</i>	-	<i>100,643</i>	-	-	<i>100,643</i>
<i>Other interest income</i>	-	<i>127,903</i>	-	<i>14,462</i>	<i>142,365</i>
Interest Expense	3,096,037	3,362,530	2,653,525	41,578	9,153,670
<i>Interest expense on deposits</i>	<i>3,096,037</i>	<i>3,263,957</i>	<i>176,084</i>	-	<i>6,536,078</i>
<i>Interest expense on funds borrowed</i>	-	<i>98,573</i>	<i>493,369</i>	-	<i>591,942</i>
<i>Interest expense on money market transactions</i>	-	-	<i>1,031,649</i>	-	<i>1,031,649</i>
<i>Interest expense on securities issued</i>	-	-	<i>709,272</i>	-	<i>709,272</i>
<i>Other interest expenses</i>	-	-	<i>243,151</i>	<i>41,578</i>	<i>284,729</i>
Net Interest Income	1,008,071	4,639,653	939,564	(27,116)	6,560,172
Net Fees and Commissions Income	373,591	458,157	60,218	-	891,966
Trading Income/ Losses (Net)	-	-	136,652	-	136,652
Dividend Income	-	-	47,421	-	47,421
Other Income (*)	-	-	-	2,101,662	2,101,662
Provision For Losses on Loans and Other Receivables	408,883	1,354,346	24,048	176,049	1,963,326
Other Expenses (**)	-	-	-	4,032,859	4,032,859
Income/Loss From Investments Under Equity Accounting	-	-	39,923	-	39,923
Profit Before Taxes	972,779	3,743,464	1,199,730	(2,134,362)	3,781,611
Provision for taxes	-	-	-	(734,561)	(734,561)
Net Profit/ Loss	972,779	3,743,464	1,199,730	(2,868,923)	3,047,050
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 795,206 amount of TL 2,101,662 of income from reversal of the specific provisions for loans from prior periods, TL 769,139 of acquired insurance premiums, TL 111,229 of income from the sale of Group's assets, TL 33,860 of communications income, TL 74,535 of income from private pension activities, TL 332 of leasing income and the remaining TL 317,361 of other operating income.

(**) TL 1,440,974 amount of TL 4,032,859 shown in other expenses line consists of personnel expenses, TL 135,370 of other operating expenses, TL 135,370 of depreciation expenses, TL 123,172 of dividend reserves expenses to be given to personnel, TL 126,216 of Savings Deposit Insurance Fund (SDIF) expenses, TL 120,930 of taxes and funds expenses, TL 8,658 pension compensations, TL 48,892 from cumulative/noncumulative commission expenses, TL 187,137 from production commission expenses and the remaining TL 262,267 of other expenses.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

VIII. INFORMATION ON RISK MANAGEMENT

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

Risk weighted amounts

Current Period- September 30, 2018	Risk Weighted Amount	Minimum Capital Requirements
1 Credit Risk (excluding counterparty credit risk) (*)	217,507,423	17,400,594
2 Standardised approach	217,507,423	17,400,594
3 Internal rating based approach	-	-
4 Counterparty Credit Risk	5,945,348	475,628
5 Standardised approach for counterparty credit risk	5,945,348	475,628
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	235	19
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	2,134,501	170,760
17 Standardised approach	2,134,501	170,760
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)	242,723,842	19,417,908

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

Current Period - September 30, 2018	TL	FC
Cash	1,293,280	1,103,524
Central Bank of the Republic of Turkey (*)	3,153,930	29,547,044
Other	365,777	319,555
Total	4,812,987	30,970,123
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 13,709,246 (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.

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%).

According to 2014-72 numbered and October 21, 2014 dated announcement of Central Bank of the Republic of Turkey, interest has been started to be paid for Turkish Lira reserve deposit beginning from November 2014.

According to 2015-35 numbered and May 2, 2015 dated announcement of Central Bank of the Republic of Turkey, interest has started to be paid for US Dollar denominated reserve deposits beginning from May 2015.

Balances with the Central Bank of the Republic of Turkey

Current Period - September 30, 2018	TL	FC
Unrestricted demand deposits	3,048,813	11,317,113
Unrestricted time deposits	-	-
Restricted time deposits	-	4,520,685
Reserve Deposits	105,117	13,709,246
Total	3,153,930	29,547,044
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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 - September 30, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	5,198	6,606
Other	-	-
Total	5,198	6,606

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 - September 30, 2018	TL	FC
Forward transactions	95,432	6,586
Swap transactions	5,664,722	405,456
Futures	-	-
Options	1,310	3,637
Other	-	-
Total	5,761,464	415,679

Positive differences on derivative financial assets held for trading purpose

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

3. Information on banks

Current Period - September 30, 2018	TL	FC
Banks		
Domestic	876,191	2,022,042
Foreign	899	9,008,431
Foreign Head Offices and Branches	-	-
Total	877,090	11,030,473

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period - September 30, 2018	TL	FC
Equity shares	-	-
Bonds, treasury bills and similar marketable securities	533,645	53,799
Other	-	-
Total	533,645	53,799

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 - September 30, 2018	TL	FC
Government bonds	3,372,042	-
Treasury bills	-	-
Other debt securities	208,952	31,980
Bonds issued or guaranteed by banks	-	-
Asset backed securities	-	-
Total	3,580,994	31,980

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on financial assets at fair value through other comprehensive income

	Current Period- September 30, 2018
Debt securities	9,881,190
Quoted on a Stock Exchange	9,881,190
Unquoted	-
Equity securities	3,921
Quoted on a Stock Exchange	-
Unquoted	3,921
Provisions for impairment losses (-)	420,111
Total	9,465,000

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 - September 30, 2018	Cash	Non-Cash
Direct loans provided to the shareholders	-	44,196
Legal entities	-	44,196
Real persons	-	-
Indirect loans provided to the shareholders	-	-
Loans provided to the employees	153,624	46
Total	153,624	44,242

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information about loans classified in the first and second group and other receivables and loans that have been restructured or rescheduled

Current Period - September 30, 2018

	Standard loans	Loans under close monitoring		
		Agreement conditions modified		
Cash Loans		Loans not Subject to Restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized loans	223,278,829	10,731,776	398,171	3,815,649
Loans given to enterprises	71,325,166	5,223,473	261,357	3,601,101
Export loans	10,920,117	438,328	-	2,528
Import loans	-	-	-	-
Loans given to financial sector	1,912,238	214	-	-
Consumer loans	45,416,473	806,851	33,506	212,020
Credit cards	8,289,562	243,299	46,842	-
Other	85,415,273	4,019,611	56,466	-
Specialized lending	-	-	-	-
Other receivables	5,830,726	7,707	-	-
Total	229,109,555	10,739,483	398,171	3,815,649

The Parent Bank has a cash loan exposure to Ojer Telekomunikasyon A.Ş. (OTAŞ) with a principal balance of TL 1,287,361 included accrued interest related with the acquisition finance of Türk Telekomunikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral. The respective loan is classified as loans under follow up. All creditors including the Parent Bank have reached an agreement on restructuring the related loan. As per the agreed structure, it is contemplated that the OTAŞ's 1.925.000.000 Class A shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities would be taken over by a special purpose vehicle incorporated or to be incorporated directly or indirectly by the creditors in the Republic of Turkey. Completion of the transaction is subject to agreements with respect to the facilities to be restructured at the new company level being agreed, all requisite corporate, governmental and any other approvals and consents being obtained and all requisite conditions under the agreements being met.

Prior Period - December 31, 2017

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables	Agreement conditions modified	Payment plan extensions	Loans and other receivables	Agreement conditions modified	Payment plan extensions
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 - September 30, 2018

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,897,212	-
Significant Increase in Credit Risk	-	1,580,865

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - September 30, 2018

<i>Number of modifications to extend payment plans</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
Extended for 1 or 2 times	1,476,351	4,195,904
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

<i>Extended period of time</i>	<i>Standard Loans</i>	<i>Loans under close monitoring</i>
0-6 Months	-	52,986
6-12 Months	1,061	144,248
1-2 Years	54,631	82,276
2-5 Years	626,823	2,510,912
5 Years and Over	793,836	1,405,482

Prior Period - December 31, 2017

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - September 30, 2018	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	654,695	42,396,060	43,050,755
Housing loans	9,867	20,324,354	20,334,221
Automobile loans	4,233	367,852	372,085
General purpose loans	640,595	21,703,854	22,344,449
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	7	8,701	8,708
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,489	2,489
Other	7	6,212	6,219
Retail credit cards – TL	6,298,810	70,810	6,369,620
With instalment	2,608,300	66,028	2,674,328
Without instalment	3,690,510	4,782	3,695,292
Retail credit cards – FC	13,488	-	13,488
With instalment	-	-	-
Without instalment	13,488	-	13,488
Personnel loans – TL	6,790	69,040	75,830
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	6,790	69,040	75,830
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	77,194	338	77,532
With instalment	28,724	296	29,020
Without instalment	48,470	42	48,512
Personnel credit cards – FC	262	-	262
With instalment	-	-	-
Without instalment	262	-	262
Overdraft Checking Accounts – TL (Real person)	3,333,317	-	3,333,317
Overdraft Checking Accounts – FC (Real person)	240	-	240
Total	10,384,803	42,544,949	52,929,752

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period - December 31, 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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Instalment based commercial loans and corporate credit cards

Current Period - September 30, 2018	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	1,234,632	46,858,971	48,093,603
Real estate loans	5,333	1,060,865	1,066,198
Automobile loans	90,535	1,840,454	1,930,989
General purpose loans	1,138,764	43,957,652	45,096,416
Other	-	-	-
Instalment-based commercial loans – FC indexed	60	1,266,099	1,266,159
Real estate loans	-	-	-
Automobile loans	-	223,313	223,313
General purpose loans	60	1,042,786	1,042,846
Other	-	-	-
Instalment-based commercial loans – FC	67,484	15,525,522	15,593,006
Real estate loans	-	-	-
Automobile loans	-	6,003	6,003
General purpose loans	10,403	13,132,791	13,143,194
Other	57,081	2,386,728	2,443,809
Corporate credit cards – TL	2,114,438	1,863	2,116,301
With instalment	481,140	1,863	483,003
Without instalment	1,633,298	-	1,633,298
Corporate credit cards – FC	2,500	-	2,500
With instalment	-	-	-
Without instalment	2,500	-	2,500
Overdraft Checking Accounts – TL (Corporate)	2,116,476	-	2,116,476
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	5,535,590	63,652,455	69,188,045

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Allocation of domestic and overseas loans

	Current Period - September 30, 2018
Domestic loans	242,539,029
Foreign loans	1,523,829
Total	244,062,858
	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 - September 30, 2018
Direct loans to associates and subsidiaries	554
Indirect loans to associates and subsidiaries	-
Total	554
	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 - September 30, 2018
Loans and receivables with limited collectability	782,006
Loans and receivables with doubtful collectability	764,866
Uncollectible loans and receivables	6,076,347
Total	7,623,219

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

Information on non-performing loans (Net)

Information on non-performing loans restructured or rescheduled

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current period - September 30, 2018			
Gross Amounts Before The Reserves	108,404	214,178	208,657
Loans Which Are Restructured	108,404	214,178	208,657
	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Prior Period - December 31, 2017			
(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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - September 30, 2018			
Balance at the beginning of the period	764,052	874,268	6,304,866
Additions (+)	3,077,152	162,331	780,812
Transfers from other categories of loans under follow-up (+)	-	2,392,271	1,438,182
Transfers to other categories of loans under follow-up (-) ^(*)	2,077,488	1,757,615	3,989
Collections (-)	335,277	307,916	1,378,896
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	390	60,992
Corporate and commercial loans	-	390	60,992
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	49	48,859
Balance at the end of the period	1,428,439	1,362,998	7,128,842
Provision (-) ^(**)	782,006	764,866	6,076,347
Net balance	646,433	598,132	1,052,495

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

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

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - September 30, 2018			
Balance at the end of the period	82,906	14,100	626,156
Specific provision (-)	26,458	7,686	541,958
Net balance on balance sheet	56,448	6,414	84,198

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period - December 31, 2017			
Balance at the end of the period	43,425	12,519	581,510
Specific provision (-)	9,094	7,242	540,597
Net balance on balance sheet	34,331	5,277	40,913

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

Explanation on Write-off Policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it is concluded that those loans are uncollectible. This conclusion is given after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - September 30, 2018			
Current Period (Net)	646,433	598,132	1,052,495
Consumer and Commercial Loans (Gross)	1,427,522	1,362,849	7,031,869
Specific Provision (-)	781,644	764,761	5,983,427
Consumer and Commercial Loans (Net)	645,878	598,088	1,048,442
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	917	149	95,422
Specific Provision (-)	362	105	91,369
Other Loans and Receivables (Net)	555	44	4,053

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Prior Period - December 31, 2017			
Prior Period (Net)	610,611	443,935	51,708
Consumer and Commercial Loans (Gross)	763,928	872,720	6,206,914
Specific Provision (-)	153,416	429,559	6,155,206
Consumer and Commercial Loans (Net)	610,512	443,161	51,708
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	124	1,548	96,401
Specific Provision (-)	25	774	96,401
Other Loans and Receivables (Net)	99	774	-

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net) - September 30, 2018			
Interest accruals and valuation differences	80,608	126,244	1,513
Provision (-)	-	-	-

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
Prior Period (Net) * - December 31, 2017			
Interest accruals and valuation differences	-	-	-
Provision (-)	-	-	-

(*) Starting from December 31, 2017, rediscounts are not measured for non performing loans according to Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables

6. Information on measured at amortized cost investments

Measured at amortized cost debt securities issued by the governments

	TL	FC
Current Period - September 30, 2018		
Government bonds	30,445,766	3,239,547
Treasury bills	-	-
Other securities issued by the governments	-	5,202,173
Total	30,445,766	8,441,720

Held-to-maturity debt securities issued by the governments

	TL	FC
Prior Period - December 31, 2017		
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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on measured at amortized cost investment securities

	Current Period - September 30, 2018
Debt Securities	39,127,553
<i>Quoted at stock exchanges</i>	39,019,437
<i>Unquoted at stock exchanges</i>	108,116
Impairment losses (-)	-
Total	39,127,553

Information on held-to-maturity investment securities

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

The movement table of the financial assets measured at amortised cost

	Current Period - September 30, 2018
Balances at the beginning of the period	16,766,071
Foreign currency differences on monetary assets	2,174,186
Purchases during the period	10,846,180
IFRS 9 Classification ^(**)	7,656,572
Disposals through sales/redemptions	(808,254)
Change in Impairment losses	-
Change in amortized costs of the securities ^(*)	2,492,798
Balances at the end of the period	39,127,553

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 from available for sale portfolio (**)	7,501,432
Disposals through sales/redemptions	(2,186,864)
Change in Impairment losses	6,758
Change in amortized costs of the securities (*)	724,775
Balances at the end of the period	16,766,071

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

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

Information on financial assets measured at amortized cost

Current Period - September 30, 2018	Cost		Carrying Value	
	TL	FC	TL	FC
Collateralized/blocked investment securities	1,853,222	1,670,523	2,059,589	1,705,269
Investments subject to repurchase agreements	18,365,817	5,073,987	22,015,823	5,167,543
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	5,688,987	1,784,453	6,370,354	1,808,975
Total	25,908,026	8,528,963	30,445,766	8,681,787

(*) 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

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Investments in associates

Unconsolidated investments in associates

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

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1	5,262,169	1,238,912	983,911	15,759	-	42,089	108,099	3,845,000
2	102,191	64,697	48,892	2,117	-	15,603	6,983	-
3	296,536	193,394	177,837	5,984	-	23,681	28,103	-
4	144,022	(72,072)	88,086	1	-	(26,388)	(852)	-
5	119,784	(119,747)	81,200	-	-	(90,651)	(6,131)	-
6	12,678,524	1,448,807	114,014	262,589	-	183,649	130,216	-
7	722,553	522,864	14,993	19,835	-	64,883	99,260	-
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 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 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.

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 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 84authorization of World Vakıf UBB Ltd., operating in NCTR, is abrogated due to in compliance with the 7th and 9th articles of 41/2008 numbered Law of International Banking Units. According to May 24, 2010 dated decision of the Nicosia Local Court, World Vakıf UBB Ltd. Will be liquidated and NCTR Company Registrar is appointed to carry out liquidation process. In year 2010, due to loss of control over Company, World Vakıf UBB Ltd. has been reclassified as "Investments in associates". The liquidation process of World Vakıf UBB Ltd, an associate of the Parent Bank, has been carried out by NCTR Collecting and Liquidation Office. The application of the company for cancellation of the liquidation has been rejected and the decision of liquidation has been agreed on August 27, 2013. Thus, the company's title has been changed as "World Vakıf UBB Ltd in Liquidation".

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

İstanbul Takas ve Saklama Bankası AŞ and Kredi Garanti Fonu AŞ have not been consolidated since their total assets and net operating profit/loss) individually or as a whole, do not comprise a material portion within the consolidated totals. Since Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Consolidated investments in associates

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkoşa/KKTC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Türkiye	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 44,403,890	3,741,782	883,508	1,779,544	433,569	425,905	467,178	2,401,678

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 Parent Bank amounting to TL 33,510.

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 Parent Bank amounting to TL 29,321.

Movement of consolidated investments in associates

Current Period - September 30, 2018	
Balance at the beginning of the period	302,959
Movements during the period	(91,080)
Transfers	-
Acquisitions	-
Bonus shares received	33,510
Share of current year profit	-
Sales/liquidations	-
Fair value changes	(90,047)
Impairment losses	(34,543)
Balance at the end of the period	211,879
Capital commitments	-
Share percentage at the end of period (%)	-
Prior Period - December 31, 2017	
Balance at the beginning of the period	253,457
Movements during the period	49,502
Transfers	-
Acquisitions	-
Bonus shares received	29,321
Share of current year profit	-
Sales/liquidations	-
Fair value changes	20,181
Impairment losses	-
Balance at the end of the period	302,959
Capital commitments	-
Share percentage at the end of period (%)	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Sectoral distribution of consolidated investments and associates

	Current Period - September 30, 2018
Banks	211,879
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	211,879
	Prior Period - December 31, 2017
Banks	302,959
Insurance companies	-
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial associates	-
Total	302,959

Quoted associates

	Current Period - September 30, 2018
Quoted at domestic stock exchanges	201,261
Quoted at international stock exchanges	-
Total	201,261
	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 Parent Bank have participated establishment of "Turkey Products Inc. Specialized Exchange" with a capital of TL 100,000. In the Company, the nominal share of the Parent Bank is TL 3,000 and its share is 3%. The Parent 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 Parent 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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

Current Period - September 30, 2018	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	114,483	140,000	35,000	70,000	270,000	26,500	24,000	225,000	20,000
Share Premium	-	1,447	137	-	6,112	10,615	16	268,330	93
Equity share premiums	-	-	-	-	655	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-	-	-	-
Other capital reserves	-	1,447	137	-	5,457	10,615	16	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	59	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	2,206	113,637	395
Legal Reserves	11,854	7,984	8,601	6,984	17,179	18,385	1,876	7,974	395
Statutory reserves	-	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	34,626	7,368	67,658	19,246	159,673	330	105,663	-
Other Profit Reserves	687,820	-	2,308	-	-	-	-	-	-
Profit/Loss	187,989	(54,108)	31,361	41,667	(297,418)	163,447	6,522	28,441	(3,220)
Prior Period's Profit/Loss	161,570	(40,798)	1,866	(13,840)	(331,919)	45,301	(8)	(2,018)	(3,008)
Current Period's Profit/Loss	26,419	(13,310)	29,495	55,507	34,501	118,146	6,530	30,459	(212)
Minority Rights	-	40	-	-	-	-	-	-	-
Total Core Capital	978,475	150,110	174,186	186,712	630,302	439,459	32,803	635,914	17,238
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-	-	-
CAPITAL	978,475	150,110	174,186	186,712	630,302	439,459	32,803	635,914	17,238
NET AVAILABLE EQUITY	978,475	150,110	174,186	186,712	630,302	439,459	32,803	635,914	17,238

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Güneş Sigorta AŞ	Vakıf Emeklilik ve Hayat AŞ	Vakıf Portföy Yönetimi AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Prior Period - December 31, 2017									
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)
<i>Prior Period's Profit/Loss</i>	129,784	(18)	1,623	-	(439,449)	73,393	-	-	(3,008)
<i>Current Period's Profit/Loss</i>	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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of Capital Markets Board as six months periods. 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 September 30, 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/TÜRKİYE	65.50	82.60
2 Taksim Otelcilik AŞ	İstanbul/TÜRKİYE	51.00	51.69
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ	İstanbul/TÜRKİYE	86.97	93.82
4 Vakıf Gayrimenkul Değerleme AŞ	Ankara/TÜRKİYE	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	14,494
2	395,482	377,985	213,177	13,001	-	23,214	5,653	403,062
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)	26,415

^(*) 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 Parent Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Investments in consolidated subsidiaries

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Güneş Sigorta AŞ	İstanbul/TÜRKİYE	48.02	48.02
2 Vakıf Emeklilik ve Hayat AŞ (*)	İstanbul/TÜRKİYE	53.90	79.68
3 Vakıf Faktoring AŞ (*)	İstanbul/TÜRKİYE	78.39	87.49
4 Vakıf Finansal Kiralama AŞ	İstanbul/TÜRKİYE	58.71	66.23
5 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/TÜRKİYE	99.25	99.54
6 Vakıfbank International AG	Viyana/AVUSTURYA	90.00	90.00
7 Vakıf Portföy Yönetimi AŞ	İstanbul/TÜRKİYE	100.00	100.00
8 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/TÜRKİYE	22.89	34.55
9 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/TÜRKİYE	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	2,231,197	701,938	703,362	94,517	-	35,734	15,030	428,723
2	7,841,219	375,866	161,376	34,052	-	69,766	41,296	1,094,402
3	2,637,106	173,623	3,232	185,891	-	28,578	11,713	157,611
4	3,470,005	241,424	21,348	142,662	-	36,493	22,421	194,467
5	542,084	174,104	2,949	30,779	322	29,413	14,350	170,046
6	6,562,553	1,015,543	2,652	111,895	-	40,942	16,637	618,910
7	33,995	32,790	361	3,829	49	6,518	5,856	79,031
8	18,305	17,236	13	541	838	(212)	(171)	24,783
9	1,422,299	968,767	863,832	2,017	-	28,488	8,495	400,076

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

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period - September 30, 2018
Balance at the beginning of the period	1,950,138
Movements during the period	48,664
Transfers	-
Acquisitions	433
Bonus shares received	33,104
Share of current year profit	(48,196)
Sales and liquidations	-
Fair value changes	116,526
Impairment losses	(53,203)
Balance at the end of the period	1,998,802
Capital commitments	-
Share percentage at the end of the period (%)	-

	Prior Period - December 31, 2017
Balance at the beginning of the period	1,528,228
Movements during the period	421,910
Transfers	-
Acquisitions	-
Bonus shares received	51,974
Share of current year profit	(16,825)
Sales and liquidations	(232)
Fair value changes	373,209
Impairment losses	13,784
Balance at the end of the period	1,950,138
Capital commitments	-
Share percentage at the end of the period (%)	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period - September 30, 2018
Measured at cost	-
Measured at fair value	1,998,802
Equity method of accounting	-
Total	1,998,802

	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 - September 30, 2018
Banks	557,019
Insurance companies	795,755
Factoring companies	123,551
Leasing companies	114,172
Financing companies	-
Other financial subsidiaries	408,305
Total	1,998,802

	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 - September 30, 2018
Quoted at domestic stock exchanges	480,547
Quoted at international stock exchanges	-
Total	480,547

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Consolidated subsidiaries disposed during the period

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

Consolidated investments in subsidiaries acquired during the period

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 Parent Bank’s nominal share in Vakıf Yatırım Menkul Değerler AŞ increased to TL 34,737 from TL 34,650 and share amount increased to 99.25% from 99.00%.

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 Parent Bank amounting to TL 12,000 is presented in the movement table of investments in affiliates as bonus shares received.

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. 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 130,143 TL. The sold shares, amounting TL 232, are presented in the Sales, in the movement table for the affiliates. After the selling, the Parent Bank’s share in Güneş Sigorta AŞ had decreased to 48.02% from 48.20%.

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

Consolidated investments in subsidiaries acquired during the period (Continued)

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.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on finance lease receivables (net)

Finance lease receivables disclosed according to remaining maturities

Current Period - September 30, 2018	Gross	Net
Less than 1 year	576,346	549,109
Between 1-4 years	2,020,765	1,783,059
Longer than 4 years	1,023,860	834,866
Total	3,620,971	3,167,034

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

Net investments in finance lease receivables

	Current Period - September 30, 2018
Gross finance lease receivables	3,620,971
Unearned income on finance lease receivables (-)	453,937
Terminated lease contracts (-)	-
Net finance lease receivables	3,167,034

	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

Finance lease agreements

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

11. Information on hedging purpose derivatives

Positive differences on derivative financial instruments held for risk management purposes

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on investment properties

As of September 30, 2018, the Group has investment properties that have book amount of its subsidiaries which are operating in the insurance business is TL 8,235 (December 31, 2017: TL 8,377) and its subsidiaries which are operating in real estate investment business is TL 514,871 (December 31, 2017: TL 415,121).

13. Information on tax assets

a) Current tax assets

As at September 30, 2018 the current tax asset of the Group amounts to TL 403,520 (December 31, 2017: TL 1,016).

b) Deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at September 30, 2018 and December 31, 2017:

	Current Period - September 30, 2018
Provision for employee termination benefits and unused vacations	122,066
Other provisions	62,960
Valuation differences of associates and subsidiaries	97,965
Deductible financial losses	17,104
Investment incentives	3,202
Valuation differences of financial assets and liabilities	96,476
Reporting Standards - Tax Code depreciation differences	-
Provision (General Provision)	815,469
Other differences	20,068
Deferred tax assets	1,235,310
Net-off of the deferred tax assets and liabilities from the same entity	(1,096,940)
Deferred tax assets, (net)	138,370
Valuation differences of financial assets and liabilities	1,209,132
Valuation difference for associates and subsidiaries	88,633
Valuation differences of properties	70,453
Other differences	22,644
Deferred tax liabilities	1,390,862
Net-off of the deferred tax assets and liabilities from the same entity	(1,096,940)
Deferred tax liabilities, (net)	293,922
	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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As at September 30, 2018 and December 31, 2017, items generating deferred tax assets or liabilities movement table is listed below:

	Current Period - September 30, 2018
As of 1 January	(12,468)
Adjustment according to TAS as of January, 1	(40,408)
Deferred tax income/loss	(649,033)
Deferred tax that is accounted under Equity	46,097
Deferred tax that is accounted under general provision	504,448
Exchange differences	(4,188)
Deferred tax asset/(Liability)	(155,552)
	Prior Period - December 31, 2017
As of 1 January	174,063
Deferred tax income/loss	(160,372)
Deferred tax that is accounted under Equity	(21,448)
Exchange differences	(4,711)
Deferred tax asset/(Liability)	(12,468)

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

As at September 30, 2018, net book value of assets held for sale of the Group is amounting to TL 1,556,748 (December 31, 2017: TL 1,312,728).

15. Information on other assets

As at September 30, 2018 and December 31, 2017, the details of other assets are as follows:

	Current Period - September 30, 2018
Receivables from insurance operations	1,405,170
Receivables from credit card payments	1,587,775
Prepaid expenses	1,350,727
Guarantees given for repurchase agreements	99,084
Guarantees given for derivative financial instruments	9,659,551
Receivables from term sale of assets	40,292
Receivables from reinsurance companies	72,777
Deferred commission expenses	65,145
Other	1,140,299
Total	15,420,820
	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

16. Information related to expected credit loss for financial assets

	Current Period - September 30, 2018
Cash and balances with the Central Bank of the Republic of Turkey	368
Banks	5,640
Stock securities portfolio	5,747
Other Assets	26,771
Total	38,526

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)**

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period September 30, 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	6,718,812	-	5,518,835	38,089,406	2,172,961	455,548	339,565	3,504	53,298,631
Foreign currency deposits	10,447,136	-	4,859,643	43,177,951	3,317,221	2,824,513	10,546,591	-	75,173,055
Residents in Turkey	9,177,658	-	4,775,183	42,555,089	2,685,445	1,019,385	1,522,682	-	61,735,442
Residents in abroad	1,269,478	-	84,460	622,862	631,776	1,805,128	9,023,909	-	13,437,613
Public sector deposits	7,585,967	-	5,104,586	7,728,621	978,159	3,779,916	27,594	-	25,204,843
Commercial deposits	3,191,499	-	4,548,919	10,400,326	829,090	953,842	21,398	-	19,945,074
Other	3,890,408	-	1,102,790	4,712,326	366,878	428,765	188,109	-	10,689,276
Precious metal deposits	2,348,392	-	-	-	-	-	-	-	2,348,392
Bank deposits	376,072	-	667,283	3,582,335	3,284,986	25,879	512	-	7,937,067
Central Bank	1,752	-	-	-	-	-	-	-	1,752
Domestic banks	143,906	-	505,384	848,135	30,562	8,008	512	-	1,536,507
Foreign banks	200,461	-	161,899	2,434,200	2,502,498	12,644	-	-	5,311,702
Participation banks	29,953	-	-	300,000	751,926	5,227	-	-	1,087,106
Other	-	-	-	-	-	-	-	-	-
Total	34,558,286	-	21,802,056	107,690,965	10,949,295	8,468,463	11,123,769	3,504	194,596,338

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 - September 30, 2018	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	26,152,982	27,145,649
Foreign currency saving deposits	8,273,166	27,771,106
Other saving deposits	-	-
Foreign branches' deposits under foreign insurance coverage	-	-
Off-Shore deposits under foreign insurance coverage	-	-
Total	34,426,148	54,916,755

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Saving deposits out of insurance coverage limits

	Current Period - September 30, 2018
Deposits and other accounts at foreign branches	65,491
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	5,003
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 - September 30, 2018	TL	FC
Forwards	93,157	6,383
Swaps	3,064,663	242,694
Futures	-	-
Options	65,728	5,140
Other	-	-
Total	3,223,548	254,217
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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and other financial institutions

Current Period - September 30, 2018	TL	FC
Central Bank of the Republic of Turkey	-	486,559
Domestic banks and institutions	1,766,009	3,134,837
Foreign banks, institutions and funds	806,832	45,836,791
Total	2,572,841	49,458,187

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 - September 30, 2018	TL	FC
Short-term ^(*)	1,534,761	4,226,097
Medium and Long-term ^(*)	1,038,080	45,232,090
Total	2,572,841	49,458,187

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 15.34% (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 Parent Bank's loan has been renewed with a new syndicated loan amounting to US Dollar 185.5 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 Parent Bank's loan has been renewed with a new syndicated loan amounting to US Dollar 131 million and Euro 634 million with the interest rate of US Libor + 1.35% and Euribor + 1.25% at a maturity of 367 days with participation of 22 banks from 12 countries, ING Bank London Branch and Emirates acting as coordinator.

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.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 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. As of September 30, 2018, the sum of the securitization loans amounted to USD 1.393 million and EUR 345 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%.

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. Bank has issued 4,899 million US Dollar private placements as of the date of September 30, 2018. The total private placements are 17.8 million US Dollar 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% 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 5 years of maturity, and a nominal value of 1.333 million Turkish Liras.

On February 28, 2018, the Parent Bank also carried out Covered Bond transaction with a nominal value of TL 1,000 million with a 5-year maturity and realized a total of TL 6.4 billion under the program.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Current Period - September 30, 2018				
Nominal	5,151,487	3,816,000	69,549	19,524,686
Cost	4,870,053	3,816,000	69,425	19,422,225
Net Book Value	4,982,860	4,034,730	69,734	19,797,743
	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Prior Period - December 31, 2017				
Nominal	4,189,913	2,816,000	98,149	12,697,366
Cost	4,016,622	2,816,000	98,149	12,625,204
Net Book Value	4,090,998	2,876,546	98,742	12,804,473

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

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

- 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

Provision for currency exchange loss on foreign currency indexed loans

	Current Period - September 30, 2018
Provision for currency exchange loss on foreign currency indexed loans	69
	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 69 (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 September 30, 2018, the Parent Bank has recorded TL 33,291 (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 September 30, 2018, free provision recognized in 2017 amounting to TL 500,000 by the Parent Bank, in line with the conservatism principle considering the circumstances that may arise from possible negative changes in the economy and financial markets at future periods (December 31, 2017: TL 500,000, September 30, 2017: None.).

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Taxation

Current Taxes

As at and for the nine-month period ended September 30, 2018, the tax liability of the Group is amounting to TL 31,673 (December 31, 2017: TL 323,837).

Information on taxes payable

	Current Period - September 30, 2018
Corporate taxes payable	31,673
Taxation on securities	254,315
Capital gains tax on property	3,267
Banking and Insurance Transaction Tax (BITT)	5,383
Taxes on foreign exchange transactions	172,573
Value added tax payable	6,319
Other	58,920
Total	532,450

	Prior Period - December 31, 2017
Corporate taxes payable	323,837
Taxation on securities	160,257
Capital gains tax on property	3,493
Banking and Insurance Transaction Tax (BITT)	-
Taxes on foreign exchange transactions	124,488
Value added tax payable	6,100
Other	59,620
Total	677,795

Information on premiums payable

	Current Period - September 30, 2018
Social security premiums- employee share	2,356
Social security premiums- employer share	5,882
Bank pension fund premium- employee share	-
Bank pension fund premium- employer share	48
Pension fund membership fees and provisions- employee share	-
Pension fund membership fees and provisions- employer share	1
Unemployment insurance- employee share	1,301
Unemployment insurance- employer share	2,892
Other	12
Total	12,492

	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.

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Information on subordinated loans

The Parent Bank has issued bond having the secondary subordinated loan quality to be sold to non-resident natural and legal persons. The bond has been issued at the nominal value of US Dollar 500 million with the maturity of 10 years and 6.0% coupon rate. In addition to the bond issued on November 1, 2012, on December 3, 2012 the Parent Bank has realized second tranche at nominal value of US Dollar 400 million, has the same due date and maturity of 10 years and 5.5% coupon rate.

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

In 2012, the Parent Bank carried out the sale of bond issued abroad with a maturity of 2022 maturities of USD 900 million. Regulations and amendments made within the scope of BRSA's Regulation on Equities of Banks have made it possible to comply with Basel III regulations in the capital adequacy calculations of banks as contributions capital. In this context, the effect on the capital of the Parent Bank which has issued Basel II compliant subordinated loan provisions issued in 2012 has decreased. In this context, the operational process of the swap transaction of bonds with a total nominal value of USD 228 million which issued abroad, with the new Basel III compliant conditions, was completed on February 13, 2017 and the redemption date of the bonds to be exchanged was determined as November 1, 2027, with a maturity of 10 years (recall option in 2022) and coupon rate as 8.00%.

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

On September 27, 2018, the Parent Bank had issued a fixed rate subordinated bond (secondary capital) with nominal value of 4,993 million Turkish Liras that is undated and callable at the end of 5 years and has semiannual coupon payments.

Stated bonds' total balance sheet value is TL 13,988,343 as of September 30, 2018 (December 31, 2017: TL 5,917,137).

Current Period – September 30, 2018

	TL	FC
To be included in the calculation of additional Capital borrowing instruments	5,014,283	-
Subordinated Loans	-	-
Subordinated Debt Instruments	5,014,283	-
Debt instruments to be included in secondary capital calculation	530,344	8,443,716
Subordinated Loans	-	-
Subordinated Debt Instruments	530,344	8,443,716
Total	5,544,627	8,443,716

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity

Paid-in capital

	Current Period - September 30, 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).

Board of Directors' members; one member is appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members are appointed representing Group (A), one member is appointed representing Group (B), and two members are appointed representing Group (C), and one member is appointed among the nominees offered by the shareholders at the General Assembly. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	10,000,000

At the resolutions of Board of Directors dated January 2, 2015 and 61st Ordinary Meeting of the General Assembly dated March 30, 2015, the Parent Bank's ceiling per registered share capital has been increased from TL 5,000,000 to TL 10,000,000.

Information on share capital increases and their sources; other information on any increase in capital shares during the current period

There is no share capital increase in the current year and previous year.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following period and its general purpose and estimated sources that are required for commitments

None

Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of the marketable securities

Current Period - September 30, 2018	TL	FC
Associates, subsidiaries and joint ventures	419,225	-
Financial assets at fair value through other comprehensive income	(347,085)	(36,954)
Foreign exchange differences	-	-
Total	72,140	(36,954)
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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Disclosures related to other contingent liabilities

Type and amount of consolidated irrevocable commitments

	Current Period - September 30, 2018
Commitments for credit card limits	13,085,415
Loan granting commitments	14,183,898
Commitments for cheque payments	2,859,606
Asset purchase sale commitments	2,848,081
Other	3,736,071
Total	36,713,071

	Prior Period - December 31, 2017
Commitments for credit card limits	10,534,862
Loan granting commitments	11,918,133
Commitments for cheque payments	2,542,741
Asset purchase sale commitments	1,755,169
Other	3,609,820
Total	30,360,725

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

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

The Parent Bank provided specific provision amounting to TL 249,225 (December 31, 2017: TL 169,355) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 33,291 (December 31, 2017: TL 75,942).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period - September 30, 2018
Final letters of guarantee	20,449,617
Letters of guarantee for advances	9,283,244
Letters of guarantee given to custom offices	1,395,757
Provisional letters of guarantee	2,046,516
Other letters of guarantee	22,505,534
Total	55,680,668

	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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Non-cash loans

	Current Period - September 30, 2018
Non-cash loans given for cash loan risks	9,482,068
<i>With original maturity of 1 year or less</i>	2,915,404
<i>With original maturity of more than 1 year</i>	6,566,664
Other non-cash loans	63,769,355
Total	73,251,423
	Prior Period - December 31, 2017
Non-cash loans given for cash loan risks	3,771,138
<i>With original maturity of 1 year or less</i>	1,216,243
<i>With original maturity of more than 1 year</i>	2,554,895
Other non-cash loans	47,552,564
Total	51,323,702

3. Sectoral risk concentrations of non-cash loans

Current Period - September 30, 2018	TL	%	FC	%
Agricultural	33,224	0.08	188,195	0.58
Farming and Cattle	30,901	0.08	188,195	0.58
Forestry	1,723	-	-	-
Fishing	600	-	-	-
Manufacturing	14,877,123	36.34	16,360,374	50.62
Mining	354,360	0.87	195,081	0.60
Production	10,513,411	25.68	15,301,850	47.35
Electric, gas and water	4,009,352	9.79	863,443	2.67
Construction	8,464,312	20.68	6,036,589	18.68
Services	15,770,270	38.52	8,902,025	27.54
Wholesale and retail trade	5,730,091	14.00	5,021,431	15.54
Hotel, food and beverage Services	308,636	0.75	173,695	0.54
Transportation and telecommunication	2,118,583	5.18	1,112,380	3.44
Financial institutions	4,204,840	10.27	505,420	1.56
Real estate and renting Services	1,651,007	4.03	501,246	1.55
Self-employment services	1,498,818	3.66	615,429	1.90
Education services	51,732	0.13	4,362	0.01
Health and social services	206,563	0.50	968,062	3.00
Other	1,790,410	4.38	828,901	2.58
Total	40,935,339	100.00	32,316,084	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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period - September 30, 2018	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	39,416,997	15,501,048	461,785	70,260
Confirmed bills of exchange and acceptances	68,258	3,096,020	-	-
Letters of credit	23,943	13,341,850	-	2,359
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	345,937	67,786	-	-
Other guarantees and sureties	393,154	212,801	-	-
Total Non-Cash Loans	40,248,289	32,219,505	461,785	72,619

Prior Period - December 31, 2017	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	31,630,753	8,022,283	240,831	110,773
Confirmed bills of exchange and acceptances	44,700	1,510,854	-	-
Letters of credit	30,161	8,959,467	-	4,523
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	225,380	7,528	-	-
Other guarantees and sureties	321,042	46,052	-	-
Total Non-Cash Loans	32,252,036	18,546,184	240,831	115,296

5. Contingent assets and liabilities

Group allocates TL 7,414 as provision for lawsuits against the Group (December 31, 2017: TL 5,871).

6. Services rendered on behalf of third parties

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

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

1. Interest income

Information on interest income received from loans

Current Period - September 30, 2018	TL	FC
Short-term loans	5,757,895	288,785
Medium and long-term loans	10,454,764	3,134,845
Non-performing loans	237,841	-
Premiums received from resource utilization support fund	-	-
Total	16,450,500	3,423,630

Prior Period - September 30, 2017	TL	FC
Short-term loans	3,495,003	163,659
Medium and long-term loans	7,528,953	1,793,643
Non-performing loans	98,396	-
Premiums received from resource utilization support fund	-	-
Total	11,122,352	1,957,302

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on interest income received from banks

Current Period - September 30, 2018	TL	FC
Central Bank of the Republic of Turkey	-	-
Domestic Banks	127,605	19,637
Foreign Banks	1,066	91,774
Foreign Head Office and Branches	-	-
Total	128,671	111,411
Prior Period - September 30, 2017	TL	FC
Central Bank of the Republic of Turkey	-	6
Domestic Banks	120,205	2,680
Foreign Banks	438	24,687
Foreign Head Office and Branches	-	-
Total	120,643	27,373

Information on interest income received from marketable securities portfolio

Current Period - September 30, 2018	TL	FC
Financial assets at fair value through profit or loss	11,340	483
Financial assets at fair value through other comprehensive income	616,439	49,162
Financial assets measured at amortised cost	2,656,344	282,836
Total	3,284,123	332,481
Prior Period - September 30, 2017	TL	FC
Financial assets held for trading	13,856	686
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	1,070,248	224,824
Investments held to maturity	745,469	5,161
Total	1,829,573	230,671

As stated in Section 3 Note VII, "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolios of the Parent Bank include Consumer Price Indexed (CPI) Bonds. The estimated inflation rate used is updated as needed within the year. In this context, as of September 30, 2018, the valuation of the related securities was based on an annual inflation forecast of 20.00%. If the valuation of these securities indexed to CPI was made according to the reference index valid for September 30, 2018, the Parent Bank's equity valuation differences on equity would decrease by TL 25 million (full TL) and the net profit for the period would decrease by TL 317 million to 2,793 million TL (full TL amount).

Information on interest income received from associates and subsidiaries

Current Period - September 30, 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 - September 30, 2018	TL	FC
Banks	251,170	857,301
Central Bank of the Republic of Turkey	-	853
Domestic Banks	174,117	56,496
Foreign Banks	77,053	799,952
Foreign Head Offices and Branches	-	-
Other Institutions	-	57,807
Total	251,170	915,108

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period - September 30, 2017	TL	FC
Banks	137,132	417,042
Central Bank of the Republic of Turkey	-	-
Domestic Banks	80,742	17,638
Foreign Banks	56,390	399,404
Foreign Head Offices and Branches	-	-
Other Institutions	-	37,768
Total	137,132	454,810

Interest expense paid to associates and subsidiaries

	Current Period - September 30, 2018
Interests paid to the associates and subsidiaries	143,406
	Prior Period - December 31, 2017
Interests paid to the associates and subsidiaries	80,572

Interest expense on securities issued

As at and for the nine-month period ended at September 30, 2018, interest paid to securities issued is TL 1,586,743 (September 30, 2017: TL 709,272).

Maturity structure of the interest expense on deposits

		Time Deposits						
	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
Current Period - September 30, 2018								
TL								
Interbank deposits	-	10,751	255,085	-	5,083	-	-	270,919
Saving deposits	-	524,113	3,860,819	243,729	33,279	16,480	210	4,678,630
Public sector deposits	9,491	362,904	619,930	82,771	441,551	12,594	-	1,529,241
Commercial deposits	-	496,587	1,261,915	212,976	41,949	1,269	-	2,014,696
Other deposits	-	56,219	355,140	75,194	23,241	5,715	-	515,509
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	9,491	1,450,574	6,352,889	614,670	545,103	36,058	210	9,008,995
FC								
Foreign Currency deposits	18,039	43,927	843,240	51,646	32,580	139,518	-	1,128,950
Interbank deposits	5,649	36	18,767	63,894	-	-	-	88,346
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	23,688	43,963	862,007	115,540	32,580	139,518	-	1,217,296
Grand Total	33,179	1,494,537	7,214,896	730,210	577,683	175,576	210	10,226,291

		Time Deposits						
	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
Prior Period - September 30, 2017								
TL								
Interbank deposits	-	5,749	135,384	-	-	-	-	141,133
Saving deposits	-	180,044	2,353,758	154,906	23,229	12,090	74	2,724,101
Public sector deposits	6,840	251,729	515,910	78,039	252,709	13,093	-	1,118,320
Commercial deposits	-	382,810	861,739	166,029	16,990	729	-	1,428,297
Other deposits	-	63,799	284,718	110,497	6,303	957	-	466,274
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	6,840	884,131	4,151,509	509,471	299,231	26,869	74	5,878,125
FC								
Foreign currency deposits	16,722	16,171	460,061	35,097	20,111	78,300	-	626,462
Interbank deposits	1,977	9,159	3,789	552	4,037	11,977	-	31,491
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	18,699	25,330	463,850	35,649	24,148	90,277	-	657,953
Grand Total	25,539	909,461	4,615,359	545,120	323,379	117,146	74	6,536,078

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

	Current Period - September 30, 2018
Income	28,814,616
Income from capital market operations	3,896,304
Income from derivative financial instruments	13,182,482
Foreign exchange gains	11,735,830
Losses	(28,127,650)
Loss from capital market operations	(3,752,959)
Loss from derivative financial instruments	(12,700,474)
Foreign exchange loss	(11,674,217)
Net trading profit/loss	686,966

	Prior Period - September 30, 2017
Income	10,369,644
Income from capital market operations	3,794,161
Income from derivative financial instruments	2,927,994
Foreign exchange gains	3,647,489
Losses	(10,232,992)
Loss from capital market operations	(3,735,833)
Loss from derivative financial instruments	(2,990,974)
Foreign exchange loss	(3,506,185)
Net trading profit/loss	136,652

Net profit arising from changes in foreign exchange rate that relate to the Group's derivative financial instruments based on foreign exchange rate is TL 161,653 as at and for the nine-month period ended September 30, 2018 (September 30, 2017: net loss of TL (107,255)).

4. Other operating income

	Current Period - September 30, 2018
Income from reversal of the specific provisions for loans from prior periods	800,283
Earned insurance premiums (net of reinsurance share)	1,031,343
Communication income	27,047
Gain on sale of assets	138,361
Income from private pension business	93,345
Rent income	163,380
Other income	365,479
Total	2,619,238

	Prior Period - September 30, 2017
Income from reversal of the specific provisions for loans from prior periods	795,206
Earned insurance premiums (net of reinsurance share)	769,139
Communication income	33,860
Gain on sale of assets	111,229
Income from private pension business	74,535
Rent income	332
Other income	317,361
Total	2,101,662

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Provision expenses for losses on loans and other receivables

	Current Period - September 30, 2018
Expected Credit Loss	4,062,570
12 month expected credit loss (stage 1)	694,928
Significant increase in credit risk (stage 2)	1,122,228
Non-performing loans (stage 3)	2,245,414
Marketable Securities Impairment Expense	3,023
Financial Assets at Fair Value through Profit or Loss	1,262
Financial Assets at Fair Value Through Other Comprehensive Income	1,761
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	4,065,593

	Prior Period - September 30, 2017
Specific provisions on loans and other receivables	1,700,593
<i>Loans and receivables in Group III</i>	<i>356,741</i>
<i>Loans and receivables in Group IV</i>	<i>524,548</i>
<i>Loans and receivables in Group V</i>	<i>819,304</i>
Non-performing commissions and other receivables	-
General provision expenses	169,882
Provision for possible losses	-
Impairment losses on securities:	4,952
<i>Trading securities</i>	<i>99</i>
<i>Investment securities available-for-sale</i>	<i>4,853</i>
Impairment losses from associates, subsidiaries, joint ventures, and marketable securities held to maturity :	17,796
<i>Associates</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>
<i>Joint ventures</i>	<i>-</i>
<i>Investment securities held-to-maturity</i>	<i>17,796</i>
Other (*)	70,103
Total	1,963,326

(*) Other provision expenses amounting to TL 70,103 is comprised of provision for non-cash loans that are not indemnified or converted into cash and provision for cheques amounting to TL 41,548, provision expenses related to retail loans amounting to TL 6 and provision for other expenses amounting to TL 28,549.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Other operating expenses

	Current Period - September 30, 2018
Personnel Costs	1,793,204
Reserve for Employee Termination Benefits	64,555
Deficit Provision for Pension Funds	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses on Tangible Assets	126,649
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortization Expenses on Intangible Assets	24,192
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	1,948
Other Operating Expenses	2,177,376
<i>Operational lease expenses</i>	228,497
<i>Repair and maintenance expenses</i>	51,106
<i>Advertisement expenses</i>	125,160
<i>Other expenses</i>	1,772,613
Loss on sale of assets	4,004
Other (*)	1,101,682
Total	5,293,610

(*) Other operating expenses amounting to TL 1,101,682 (September 30, 2017: TL 817,326) is comprised of provision expenses for dividends to the personnel amounting to TL 193,575 (September 30, 2017: TL 123,172), tax, fees and funds expenses amounting to TL 289,777 (September 30, 2017: TL 120,930), Saving Deposits Insurance Fund expenses amounting to TL 145,315 (September 30, 2017: TL 126,216), Compensation pensions amounting to TL 9,469 (September 30, 2017: TL 8,658), cumulative/noncumulative commission expenses amounting to TL 74,280 (September 30, 2017: TL 48,892), production commission expenses to TL 189,038 (September 30, 2017: TL 187,137) and other expenses amounting to TL 200,228 (September 30, 2017: TL 202,321)

	Prior Period - September 30, 2017
Personnel costs	1,440,974
Reserve for employee termination benefits	59,473
Provision for deficit in pension funds	-
Impairment losses on tangible assets	-
Depreciation expenses on tangible assets	112,805
Impairment losses on intangible assets	-
Amortization expenses on intangible assets	22,565
Impairment losses on assets to be disposed	-
Depreciation expenses on assets to be disposed	-
Impairment losses on assets held for sale	-
Other operating expenses	1,579,243
<i>Operational lease related expenses</i>	186,315
<i>Repair and maintenance expenses</i>	44,768
<i>Advertisement expenses</i>	80,106
<i>Other expenses</i>	1,268,054
Loss on sale of assets	473
Other(*)	817,326
Total	4,032,859

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

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

8. Information on tax provision from discontinued and continuing operations

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

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Provision for taxes

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

In the current period, the Group recorded a tax provision of TL 132,068 (September 30, 2017: TL 589,607) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Period - September 30, 2018
Arising from Origination / (Reversal) of Deductible Temporary Differences	343,333
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(992,366)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	(649,033)

Sources of deferred tax benefit/charge	Prior Period - September 30, 2017
Arising from Origination / (Reversal) of Deductible Temporary Differences	(50,884)
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(94,070)
Arising from Origination / (Reversal) of Tax Losses	-
Arising from Tax Rate Change	-
Total	(144,954)

11. Net profit and loss

Any further explanation on operating results needed for a proper understanding of the Parent Bank's performance

Group has incurred TL 24,183,949 interest income and TL 15,563,301 interest expense, also incurred TL 1,449,439 amount of net fee and commission income from its ordinary banking operations (September 30, 2017: TL 15,713,842 interest income, TL 9,153,670 interest expense, TL 891,966 net fee and commission income).

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

None.

12. Income/loss related to non-controlling interest

	Current Period - September 30, 2018
Income/(losses) related to non-controlling interest	54,756
	Prior Period - September 30, 2017
Income/(losses) related to non-controlling interest	72,411

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

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans 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	554	1,374,297	-	44,196	145,060	101,075
Interest and commission income	-	938	-	-	13,485	108

Prior Period	Associates and Subsidiaries and Joint-Ventures		Parent Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	10	1,024,338	-	31,720	37,507	22,446
Balance at the end of the year	17	1,190,628	-	38,243	18,111	34,799
Interest and commission income	-	687	-	38	604	60

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Parent Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Deposits						
Balance at the beginning of the year		884,201		1,100,243		241,646
Balance at the end of the year		1,041,054		1,327,636		189,817
Interest on deposits		143,406		51,700		527

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
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		80,572		74,190		14,923

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

None.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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 Parent 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 0.060 (December 31, 2017: 0.010) and 2.074 (December 31, 2017: 2.462) respectively.

Current Period - September 30, 2018	Amount	Compared with the Financial Statement Amount %
Cash Loans	145,614	0.060
Non-Cash Loans	1,519,568	2.074
Deposits	2,558,507	1.315
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 INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION SIX

OTHER DISCLOSURES AND FOOTNOTES

I. OTHER DISCLOSURES ON THE PARENT BANK’S ACTIVITY

As per the resolution of 64th Annual General Assembly held on August 13, 2018, it is decided to distribute the net profit of year 2017 as follows:

Profit Distribution Table of Year 2017	
Parent Bank’s unconsolidated profit in its statutory financial statements	3,723,383
Deferred tax credits	-
Net profit of the year subject to distribution	3,723,383
Legal reserves	372,338
<i>First Legal Reserves</i>	<i>186,169</i>
<i>Reserves allocated according to banking law and articles of association.</i>	<i>186,169</i>
Net profit of the year subject to distribution	3,351,045
Gain on sale of immovable and shares of associates and subsidiaries	29,665
Extraordinary reserves	3,196,380
Dividends to shareholders	125,000

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

October 2018	Fitch Ratings
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B+ (Negative)
Viability Note	b+
September 2018	Moody’s Investors’ Service
Baseline Credit Assessment	b3
Local Currency Deposit Rating	B1/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative
August 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
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.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

OTHER DISCLOSURES AND FOOTNOTES (Continued)

III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of October 26, 2018, with nominal value of TL 200,000,000 (Full TL), with 119 days maturity, and maturity date of February 22, 2019, on October 22-23-24, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB21913, is determined with 26.1622% annual compound interest, 24.1429 % simple interest.

The Parent Bank has issued and offered to public a Vakıfbank bond, which has a value date of October 26, 2018, with nominal value of TL 100,000,000 (Full TL), with 210 days maturity, and maturity date of May 24, 2019, on October 22-23-24, 2018, and as a result of the realized issue, The Vakıfbank bond with the ISIN Code TRFVKFB51910, is determined with 25.8627% annual compound interest, 24.5937% simple interest.

The Parent Bank, has performed book building for a Vakıfbank bond with the ISIN Code TRFVKFBA1855, which has a value date of October 5, 2018, with nominal value of TL 512,010,226 (Full TL), with 63 days maturity and maturity date of December 7, 2018.

The Parent Bank, has performed book building for a Vakıfbank bond to be sold to qualified investors. The ISIN Code of the bond is TRFVKFB11922, value date is October 19, 2018, nominal value is TL 448,000,000 (Full TL), has 84 days to maturity and the maturity date is January 11, 2019.

The Parent Bank has issued a Vakıfbank structured debt security to be sold to qualified investors. The ISIN Code of the security is TR0VKFB00XH9, value date is October 8, 2018, nominal value is TL 25,000,000 (Full TL), has 39 days to maturity and the maturity date is November 16, 2018.

The Parent Bank has issued a Vakıfbank structured debt security to be sold to qualified investors. The ISIN Code of the security is TR0VKFB00XO5, value date is October 19, 2018, nominal value is TL 25,000,000 (Full TL), has 42 days to maturity and the maturity date is November 30, 2018.

The Parent Bank obtained a foreign borrowing, amounting USD 300 million and 10 years maturity on October 5, 2018, through future flow transaction and treasury financing transaction as well as other required transactions within Diversified Payment Rights securitization program. Fitch Ratings assigned "BBB-", investment grade note, to the transaction.

Fitch Ratings -International Rating Agency- has downgraded miscellaneous credit ratings of 20 Turkish banks, including the Parent Bank on October 1, 2018. In line with this matter, the Parent Bank's new credit ratings are as follows, Long-Term Foreign-Currency IDR: downgraded to 'B+/ Negative' from 'BB-/ Negative'; Long-Term Local-Currency IDR: downgraded to 'BB/ Negative' from 'BB+/ Negative', Viability Rating: downgraded to 'b+' from 'bb-'. Long-term senior unsecured rating: downgraded to 'B+' from 'BB-'. Subordinated debt rating: downgraded to 'B' from 'B+'. Support Rating downgraded to '4' from '3'. Short-Term Foreign-Currency IDR, Short-Term Local-Currency IDR and Short-term senior unsecured rating affirmed at 'B'.

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

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

SECTION SEVEN

INDEPENDENT AUDITORS’ REVIEW REPORT

I. INFORMATION ON LIMITED REVIEW REPORT

The consolidated financial statements and footnotes of the Parent Bank and its financial subsidiaries as at and for the nine-month period ended September 30, 2018 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their review report dated November 9, 2018 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group’s financial position and results of its operations as at and for the nine-month period ended September 30, 2018.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

SECTION EIGHT

INFORMATION ON INTERIM ACTIVITY REPORT

Assessment of the Deputy Chairman of the Board

Trade tensions that started between the USA and China in the second quarter of 2018 and that has been on the rise steadily since then were what shaped up the global markets. In June 2018, both countries raised their customs duties on a reciprocal basis, which further fuelled the worries about global trade. The particular statement by Trump that he would apply a 10% customs duty for imports from China worth USD 200 billion for the period between September 24 and the end of the year and that this rate would thereafter rise to 25% resulted in a backfire from China, which decided to apply sanctions. Effects of trade wars that were launched by the USA were not limited to China only but started to cause harm to the macroeconomic dynamics of the Euro Zone, Japan and many other countries.

The US economy grew by 3.5% in 3Q18 and macroeconomic indicators continued to reflect a positive outlook about the national economy. In its meeting held on September 25 and 26, US Federal Reserve (FED) increased its policy interest rate by 25 basis points, pushing it to the range between 2.0% and 2.25%. Besides, Fed further announced that in line with its balance sheet shrinking plan, it would raise its bond holdings reducing program from USD 40 billion per month to USD 50 billion per month with effect from October.

Macroeconomic indicators published in China point out a deceleration in economic activities. Having grown by 6.5% in 3Q18, China performed the slowest growth rate since the first quarter in 2009. Moreover, because of trade tensions with the US, Yuan has started to depreciate against the US dollars.

The hot topic in Europe has been developments in Italy. The fact that Italian government predicts a budget deficit in 2019 that is three times bigger than the previous government’ target ignited worries about a potential crisis in Europe attributable to Italy. During that period, European Central Bank (ECB) announced in its September meeting that it did not change its interest rates, that it is expected to reduce asset purchases from Euro 30 billion to Euro 15 billion in October and that it plans to finish its asset purchase program worth Euro 2,6 trillion by the end of the year.

At a time when hot conflicts and worries about global trade are on the rise, Turkish economy displayed a 5.2% growth performance in the second quarter. In 3Q18, our country sustained one of the biggest economic attacks that has ever been experienced in its history. During that period, there have been volatilities in markets that did not make sense in light of our macroeconomic fundamentals. These volatilities were avoided with minimum damage thanks to urgent implementation of timely and wise decisions adopted by our economy administration, Banking Regulation and Supervision Agency as well as Turkish Central Bank (TCB). Moreover, the New Economy Program (NEP) was announced on 20 September 2018 and it is expected to help our country reach its targets strongly despite the current landscape. NEP targets to reach a stabilization in the economy, and a change in production and exports with a focus on added value and backed by a financial discipline.

During that period, Turkish Banking sector maintained its strong structure despite the volatile financial markets. Assets rose by 29.25% in 3Q18 compared to the end of 2017, reaching TL 4,211 billion. Loans reached TL 2,588 billion (a 23.33% increase) and deposits TL 2,137 billion (a 24.88% increase). Turkish Banking Sector has continued to support Turkish Economy during that time. A “Financial Restructuring Frame Agreement” was designed in coordination with Banking Association of Turkey on 19 September 2018 in order to give support to those businesses whose balance of income and expenditures was temporarily upset and which were facing challenges to pay their debts when due. This Agreement is intended to support the real sector.

In Vakıfbank, we, too, continued our support to the real sector in the third quarter of the year. During the quarter, we increased our assets by 30.62% compared to the end of 2017, driving them up to TL 353,4 billion. Our commercial loans rose by 35.52%. Our total performing loans rose by 28.92%, amounting to TL 235,8 billion. Same as before, VakıfBank will continue to be the standing power next to Turkey now and in the future. I would like to thank to all our customers, shareholders, investors and our dedicated employees with their outstanding performance.

Sincerely yours

Doç.Dr. Şahap KAVCIOĞLU
Deputy Chairman of the Board

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES
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Assessment of the General Manager:

Macroeconomic indicators for the first half of 2018 pointed out that global growth has maintained its momentum. That said, protective decisions taken by countries, in particular, the USA, have resulted in an increase in risk perception about the global economy. The third quarter growth rate in the USA turned out to be 3.5%. This growth was due to the increase in private consumption and public spending. Personal consumption rose by 4% during that period as well. In its monetary policy meeting held on September 25-26, Fed acted in line with expectations and rose its policy interest rate by 25 basis points, thus driving it to the range of 2.00-2.25 percent. The growth rate in the European Union slowed down and Italy's 2019 budget enhanced the worries about the EU economy. The tightening in the money markets of developed countries in the third quarter, and uncertainties about Brexit and increased geopolitical risks as well as developments in foreign trade have negatively affected the economies and financial markets of emerging countries.

Turkish economy, on the other hand, has suffered speculative attacks through currency rates at that time. However, thanks to the speed, flexibility and coordination that the new system has offered following June 24 Presidential elections, the economy administration and relevant bodies managed to take timely actions and those attacks were avoided. Those wise measures taken by regulatory and supervisory bodies at that time as well as policies pursued by TCB to ensure price stability and to cease the volatility in currency rates and last, but not least, the New Economy Program (NEP) managed to dispel the worrisome milieu that certain circles wanted to create. The goal of the NEP which was announced in September 20, is to secure a stability, discipline and change in current deficit, banking and real sectors.

During that period, Turkish Banking sector continued to support the real economy. As a strong soldier of Turkish banking sector, VakıfBank maintained its role as the standing power for Turkish economy in 3Q18. Our total assets reached TL 353 billion by a 30.62% increase in 3Q18 compared to the end of 2017. Our total commercial loans rose to TL 183 billion and retail loans to TL 53 billion, by an increase of 35.52% and 10.36%, respectively, during the said period. Within that period, our support to Turkish economy reached a total sum of TL 308 billion, including cash and non-cash loans.

Thanks to the support that we get from our customers' trust, our bank increased its deposit to TL 191 billion; which represents a 22.93% increase. At a time when worries about emerging countries are on rise and money inflow has turned to a trickle, VakıfBank obtained a fresh foreign borrowing, amounting USD 300 million and 10 years maturity, through future flow transaction and treasury financing transaction as well as other required transactions within Diversified Payment Rights securitization program. Along with the transactions in May, loans borrowed by our Bank in 2018 under the securitization program only reached a sum of USD 680 million. Funds that our Bank has secured from international markets in 2018, including the latest securitization transaction, have reached a level of USD 4,7 billion. This is a demonstration of the trust that foreign investors still have in both our country and our Bank.

Our Bank's equity reached a level of TL 27 billion in 3Q18 with a 14.77% increase. Our net quarterly period was TL 3,110 million. During the quarter, our average return on assets was 1.33% while our average return on equity turned out to be 16.60%.

While our Bank has met financial needs of its customers, it also continued to improve its products and services. In September, VakıfBank started to offer agency services for "Trade Receivable Insurance" provides assurance against commercial and political risks as well as receivables of its corporate, commercial and SME customers in Turkey and abroad that are not covered by bank guarantees for a period up to 180 days. Moreover, our Bank has launched "My Rental is Safe and Secure System" which provides financial support for lessees and offers rental collection assurance for lessors. This is a first in Turkey.

Our Bank has continued to be hailed not only for its financial success stories but also for its moves in the communication area. VakıfBank was awarded in various categories in communication area in 15th Annual International Business Awards (Stevie Awards) and in which global giants are assessed in the areas of management, marketing, public relations, customer services, human resources and new products.

At the same time, our Bank successfully hosted EMTA FORUM, organized by EMTA (Emerging Markets Trading Association), which is a member of 175 investment organizations worldwide. It was a fruitful organization, also contributed positively change in the perception of Turkey in international markets.

Thanks to its long-established and strong past and backed by the Strong Turkey's Leader Bank vision, our Bank once more shines as the unyielding symbol of force that supports Turkish nation in the third quarter owing to its highly-qualified human resources. Our Bank will continue to support our national economy with all its strength in near future. I'd like to take this opportunity to thank all of you, our precious customers who have the lion's share in our Bank's success story, our shareholders and investors who are always generous in their trust towards us and our Board of Directors with their invaluable support and, last but not least, our employees with their high performance.

Truly yours,

Mehmet Emin ÖZCAN
General Manager and Board
of Members Executive Member

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Significant Financial Indicators (Unconsolidated)

BALANCE SHEET (Million TL)	SEPTEMBER 2018	DECEMBER 2017	CHANGE (%)
TOTAL ASSETS	353,410	270,572	30.62
SECURITIES PORTFOLIO	46,917	30,316	54.76
LOANS (*)	235,843	182,932	28.92
- Commercial Loans	182,922	134,980	35.52
- Retail Loans	52,921	47,952	10.36
DEPOSITS	190,888	155,277	22.93
- Term deposits	157,071	125,160	25.50
- Demand deposits	33,817	30,117	12.28
LOANS BORROWED	47,551	28,308	67.98
SUBORDINATED LOAN	13,988	5,936	135.65
SECURITIES ISSUED (NET)	28,532	19,485	46.43
EQUITY RESOURCES	26,692	23,258	14.77
NON-CASH LOANS	72,281	50,768	42.38

INCOME STATEMENT (Million TL)	SEPTEMBER 2018	SEPTEMBER 2017	CHANGE (%)
Financial period's Net Profit/ Loss	3,110	2,822	10.21

INDICATOR RATIOS (%)	SEPTEMBER 2018	DECEMBER 2017
TOTAL LOANS/ ASSETS (*)	66.73	67.61
LOAN/ DEPOSIT (*)	123.55	117.81
NON-PERFORMING LOANS	3.90	4.01
CAPITAL ADEQUACY RATIO	17.23	15.52
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.33	1.54
RETURN ON AVERAGE EQUITY (ROAE) (**)	16.60	17.52

(*) Excluding non-performing loans.

(**) Calculations are annualized.

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Significant Financial Indicators (Consolidated)

BALANCE SHEET (Million TL)	SEPTEMBER 2018	DECEMBER 2017	CHANGE (%)
TOTAL ASSETS	366,757	280,859	30.58
SECURITIES PORTFOLIO	48,761	31,466	54.96
LOANS (*)	244,063	185,443	28.78
- Commercial Loans	191,133	137,483	35.02
- Retail Loans	52,930	47,959	10.36
DEPOSITS	194,596	157,988	23.17
- Term deposits	160,038	127,864	25.16
- Demand deposits	34,558	30,124	14.72
LOANS BORROWED	52,031	31,388	65.77
SUBORDINATED LOAN	13,988	5,917	136.40
SECURITIES ISSUED (NET)	28,885	19,871	45.36
EQUITY RESOURCES	27,542	23,623	16.59
NON-CASH LOANS	73,251	51,324	42.72

INCOME STATEMENT (Million TL)	SEPTEMBER 2018	SEPTEMBER 2017	CHANGE (%)
Financial period's Net Profit/ Loss	3,268	2,975	9.88

INDICATOR RATIOS (%)	SEPTEMBER 2018	DECEMBER 2017
TOTAL LOANS/ ASSETS (*)	66.55	66.03
LOAN/ DEPOSIT (*)	125.42	117.38
NON-PERFORMING LOANS	3.91	4.11
CAPITAL ADEQUACY RATIO	16.79	14.95
RETURN ON AVERAGE ASSETS (ROAA) (**)	1.35	1.57
RETURN ON AVERAGE EQUITY (ROAE) (**)	17.03	18.19

(*) Excluding non-performing loans.

(**) Due to the classification change, Loans and Commercial Loans numbers for June 2018 have been included the Lease Receivables and Factoring Receivables items. While the rates of change were calculated to provide comparability, Loans and Commercial Loans for December 2017 have been also included Factoring Receivables and Leasing Receivables items which had been placed in the Consolidated Financial Statement of December 2017.

(***) Calculations are annualized.

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2018 Third Quarter Assessment

Having managed to maintain its momentum of growth in the 3Q18 as well, our Group has succeeded to raise its total assets to TL 366,757 million by a 30.58% increase. During the same period, our performing loans rose by 28.78%, reaching TL 244,063 million and capturing a 66.55% share in total assets. A review of the loan breakdown shows that our commercial loans reached TL 191,133 million and consumer loans TL 52,930 million.

In the third quarter of 2018, our Group increased its deposits to TL 194,596 million, which represents a 23.17% increase.

In addition to its deposits, our Bank issued bonds with a nominal value of TL 11,346 million in total in 2018 through public offering and for selling to qualified investors in Turkey. The funding we secured from international markets reached USD 4,660 million within the year. Moreover, the issuance of additional Tier-1 (AT1) notes with a nominal amount of TL 4,993,574,836 with fix rate coupon payment on semi-annual basis, Perpetual Non-Call 5 (PNC5) structure has been finalized as of September 27th, 2018.

Our Group has maintained its strong position in profitability and capital structure in the third quarter of 2018. During this quarter, our Bank's net financial period profit turned out to be TL 3,268 million. Our Bank's average return on equity was 17.03%, average return on assets 1.35% and capital adequacy ratio 16.79%.

As of 30 September 2018, the number of our Bank's branches was 950 with 16,747 personnel.

Japan Credit Rating Agency, Ltd. (JCR) revised Turkey's short-term and long-term FC (Foreign Currency) and LC (Local Currency) sovereign rating to 'BBB-/Negative' from 'BBB-/Stable' in its report dated 14.08.2018 during its review of the sovereign rating of Turkish Republic. In parallel with this revision, JCR affirmed our Bank's Long-term National Rating as 'AAA(Trk)', Long-term International Foreign Currency Rating as 'BBB-' and Long-term International Local Currency Rating as 'BBB-' and downgraded our Bank's outlook from the "Stable" to the "Negative".

Following the downgrade of Turkey's sovereign rating from "BB-" to "B+", Standard & Poor's (S&P), the international rating agency, downgraded the Bank's Long-term Foreign Currency and Local Currency ratings from "BB-" to "B+", while upgrading outlooks to "Stable" from "Negative".

International Rating Agency Moody's changed ratings of 18 Turkish banks and 2 Turkish financial institutions, including Türkiye Vakıflar Bankası T.A.O', on 28 August 2018 following its downgrading of our country's sovereign rating from "Ba2" to "Ba3" on 17 August 2018.

Additionally, following the downgrading of our country's local currency bond ceiling rating from "Baa2" to "Ba1", our Bank's Covered Bond program rating was downgraded from "Baa2" to "Ba1".

International Rating Agency Moody's downgraded long-term foreign currency ratings of 9 Turkish banks, including Türkiye Vakıflar Bankası T.A.O', on 26 September 2018 from 'B1' to 'B2' following its downgrading of our country's long-term foreign currency rating from "B1" to "B2" on 24 September 2018.

Fitch Ratings changed our Bank's certain ratings along with other 20 Turkish banks on 1 October 2018.

Current ratings by Fitch Ratings for our Bank are as follows:

- Long-term foreign currency rating was downgraded from "BB-/Negative" to "B+/ Negative".
- Short term foreign currency rating was affirmed at "B".
- Long-term local currency rating was downgraded to "BB/Negative" from "BB+/Negative".
- Short-term local currency rating was affirmed at "B".
- Viability rating was downgraded to "b+" from "bb-".
- Support rating was downgraded from "3" to "4".
- Long-term senior unsecured rating: downgraded to 'B+' from 'BB-'
- Short-term senior unsecured rating: affirmed at 'B';
- Subordinated debt rating: downgraded to 'B' from 'B+'.

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Other Significant Developments

- Pursuant to the resolution adopted by our Bank's Board of Directors on 18 July 2018 under no. 91612, it was resolved that our Bank's 64th Ordinary General Meeting for 2017 financial year would be held on 13 August 2018.
- In our Board of Directors meeting held on 18 July 2018, it was resolved to submit the proposal for the payout dividends for 2017 for the approval of the ordinary general assembly. Information about the dividend payout table for 2017 has been posted at the following address: <https://www.kap.org.tr/tr/Bildirim/696562>
- Pursuant to our Board resolution dated 4 July 2018, Mr. Abdi Serdar ÜSTÜNSALİH, who was the Core Banking Implementation and Development President at our Bank was appointed as the Assistant General Manager.
- In connection with the replacement of Board members in 64th Ordinary General Meeting of the Bank, the parent company, on 13 August 2018, it was resolved with the majority of votes that following persons be appointed as the Board members: Mehmet Emin ÖZCAN and Raci KAYA and Şahap KAVCIOĞLU (the Independent Member) as Group (A) representatives, and Adnan ERTEM as the Group (B) representative and Şahin UĞUR and Dilek YÜKSEL (the independent member) as the Group (C) representatives and Serdar TUNCBİLEK (the independent member) as the Group (D) representative and Ömer ARISOY and Cemil Ragip ERTEM as the Groups (A), (B) and (C) representatives.
- In the Parent Bank's Board of Directors meeting held on 14.08.2018 it was unanimously resolved that pursuant to the applicable provisions of our Bank's Articles of Association, Mehmet Emin ÖZCAN be appointed as the General Manager, Raci KAYA as the Board Chairman and Şahap KAVCIOĞLU as the Vice-chairman of the Board.
- It was unanimously resolved at our Bank's Board of Directors meeting held on 14.08.2018 that pursuant to the provisions of our Bank's Articles of Association:
 - Mr. Şahap KAVCIOĞLU and Mr. Serdar TUNCBİLEK have been selected as members of Audit Committee.
 - Mr. Raci KAYA ve Mr. Şahap KAVCIOĞLU have been selected as full members of Credit Committee, Mrs. Dilek YÜKSEL and Mr. Serdar TUNCBİLEK have been selected as alternate members of Credit Committee.
 - Mr. Şahap KAVCIOĞLU, Mr. Ömer ARISOY and Mr. Mustafa TURAN (as per Article 11 of Corporate Governance Communique,) have been selected as members of Corporate Governance Committee
 - Mr. Şahin UĞUR, Mr. Adnan ERTEM ve Mrs. Dilek YÜKSEL'in have been selected as members of Remuneration Committee.
- Chairman of the Board of Directors Dr. Raci KAYA 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.
- Our Bank has acquired the shares held by VakıfBank Servants and Officers Pension and Health Fund (ESV) and VakıfBank Personnel Private Social Security Services Foundation (PPSSF) in Vakıf Gayrimenkul Değerleme AŞ.
- Our Bank has acquired the shares held by VakıfBank Servants and Officers Pension and Health Fund (ESV) and VakıfBank Personnel Private Social Security Services Foundation (PPSSF) in Vakıf Pazarlama Sanayi ve Ticaret AŞ.
- Our Bank has acquired the shares held by VakıfBank Personnel Private Social Security Services Foundation (PPSSF) in Vakıf Yatırım Menkul Değerler AŞ.

Amendments to Articles of Association

Pursuant to the resolution adopted at 64th Ordinary General Meeting of our Bank held on 13 August 2018, our Bank's Articles of Association was amended and these amendments were registered on 17.08.2018 and published in Turkish Trade Registry Gazette on 31.08.2018. Our Bank's Articles of Association is available at the address of <https://www.kap.org.tr/tr/Bildirim/705879>.