

TÜRKİYE VAKIFLAR BANKASI TRK ANONİM ORTAKLIđI
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT JUNE 30, 2021
TOGETHER WITH AUDITOR’S REVIEW REPORT

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

Convenience Translation of the Auditor's Limited Review Report Originally Issued in Turkish (See Note I in Section Three)

Independent Auditors' Report on Review of Consolidated Interim Financial Information

To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı

Introduction

We have reviewed the consolidated statement of financial position of Türkiye Vakıflar Bankası T.A.O. ("the Bank") and its subsidiaries (together will be referred as "the Group") at June 30, 2021 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 six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA") and circulars and interpretations published by Banking Regulation and Supervision Authority ("BRSA") and Turkish Accounting Standard ("TAS") 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis of Qualified Conclusion

As explained in Section Five Part II.7, the accompanying consolidated financial statements as at June 30, 2021 include a free provision at an amount of TL 1,472,000 thousands of which TL 1,072,000 thousands was provided in prior years and TL 400,000 thousands provided in the current period by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Qualified Conclusion

Based on our review, except for the effect of the matter referred in the basis of qualified conclusion paragraph on the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of the Group at June 30, 2021 and of the results of its consolidated operations and its consolidated cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

The consolidated financial statements of the Group as at 31 December 2020 and 30 June 2020 which were prepared in accordance with "BRSA Accounting Financial Reporting Legislation" were audited and reviewed by another audit firm respectively. Audit firm expressed a qualified opinion and a qualified conclusion in their reports issued on February 18, 2021 and August 10, 2020 respectively since the consolidated financial statements which included in their reports dated February 18, 2021 include a free provision at an amount of TL 1,072,000 thousands of which TL 852,000 thousands was provided in prior years and TL 220,000 thousands was provided within 2020 by the Group management and their reports dated August 10, 2020 included a free provision at an amount of TL 852,000 Thousands which was wholly provided in prior years for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions.

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 VIII, are not consistent with the consolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Damla Harman, SMMM
Partner

August 9, 2021
İstanbul, Türkiye

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI
CONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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The consolidated financial report as at and for the six-month period ended June 30, 2021 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 INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITORS' REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

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

August 9, 2021

Mustafa SAYDAM
Chairman of The Board

Serdar TUNÇBİLEK
Board and Audit
Committee Member

Dilek YÜKSEL
Board and Audit
Committee Member

Abdi Serdar ÜSTÜNSALİH
General Manager and
Board Member

Şuayyip İLBİLGİ
Assistant General Manager

Korhan TURGUT
Director of Accounting and
Financial Affairs

The authorized contact person for questions on this financial report:

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

As at June 30, 2021 and December 31, 2020 the Parent Bank's paid-in capital is TL 3,905,622 TL divided into 390,562,248,996 shares with each has a nominal value of Kr 1.

The Parent Bank's shareholders structure as at June 30, 2021 and December 31, 2020 are stated below:

Shareholders June 30, 2021	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Türkiye Varlık Fonu (D Grubu)	1,405,622,490	1,405,622	35.99
TC Hazine ve Maliye Bakanlığı (A Grubu)	1,075,058,640	1,075,058	27.52
VakıfBank Memur ve Hizmetlileri Emekli ve Sağlık			
Yardım Sandığı Vakfı (C Grubu)	402,552,666	402,553	10.31
TC Hazine ve Maliye Bakanlığı (B Grubu)	387,673,328	387,673	9.93
Other appendant foundations (Group B)	2,591,250	2,591	0.07
Other real persons and legal entities (Group C)	1,527,393	1,528	0.04
Publicly traded (Group D)	630,596,723	630,597	16.14
Total	3,905,622,490	3,905,622	100.00

Shareholders December 31, 2020	Number of Shares (100 unit)	Nominal Value of the Shares – Thousands of TL	Share Percentage (%)
Türkiye Varlık Fonu (Group D)	1,405,622,490	1,405,622	35.99
TC Hazine ve Maliye Bakanlığı (Group A)	1,075,058,640	1,075,058	27.52
VakıfBank Memur ve Hizmetlileri Emekli ve Sağlık			
Yardım Sandığı Vakfı (Group C)	402,552,666	402,553	10.31
TC Hazine ve Maliye Bakanlığı (Group B)	387,673,328	387,673	9.93
Other appendant foundations (Group B)	2,591,250	2,591	0.07
Other real persons and legal entities (Group C)	1,527,393	1,528	0.04
Publicly traded (Group D)	630,596,723	630,597	16.14
Total	3,905,622,490	3,905,622	100.00

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

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

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

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(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>				
Mustafa SAYDAM	Chairman	March 26, 2021	Bachelor’s	27 years
Dr.Cemil Ragıp ERTEM	Member – Deputy Chairman	June 12, 2020	PhD	23 years
Abdi Serdar ÜSTÜNSALİH	Member- General Manager	May 27, 2019	Master’s	30 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	33 years
Dilek YÜKSEL	Member	March 29, 2016	Bachelor’s	11 years
Şahin UĞUR	Member	June 9 2017	Bachelor’s	35 years
Serdar TUNÇBİLEK	Member	June 9 2017	Bachelor’s	35 years
Abdülkadir AKSU	Member	May 27, 2019	Bachelor’s	2 years
Sadık YAKUT	Member	May 27, 2019	Bachelor’s	2 years
<u>Audit Committee</u>				
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	35 years
Dilek YÜKSEL	Member	June 12, 2020	Bachelor’s	11 years
<u>Auditor</u>				
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	37 years
Mehmet Emin BAYSA	Auditor	June 12, 2020	Master’s	2 years
<u>Assistant General Managers</u>				
Metin Recep ZAFER	R&D and Business Intelligence Application Development, Basic Banking Application Development, Channel Management and Payment Systems App. Development, System Management, IT System and Application Support, IT Planning and Coordination, Treasury Operations, Foreign Operations, Banking Operations, Credit, Customer and Account Operations	June 13, 2006	PhD	26 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Deposit Management and Marketing, Payment Systems Banking Marketing, Retail Banking Marketing	October 23, 2013	Bachelor’s	26 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	25 years
Mikail HİDİR	Credit Risk Liquidation, Legal Affairs	December 26, 2018	Bachelor’s	18 years
Hazım AKYOL	Corporate Banking Marketing, Commercial Banking Marketing, Corporate Branches Cash Management Product Development and Foreign Trade Marketing, Corporate Branches	May 31, 2019	Bachelor’s	27 years
Alaattin ŞİMŞEK	Support Services Application of Credit Policies and Processes, Evaluation and Rating Credit Risk Planning and Monitoring,	May 31, 2019	Bachelor’s	26 years
Ferkan MERDAN	Payment Systems, Digital Banking and Distribution Channels, Corporate Communication Customer Experience and Management	May 31, 2019	Master’s	24 years
Muhammed Onay ÖZKAN	Treasury Management., International Banking and Investor Relations Treasury Middle Office	May 31, 2019	Bachelor’s	20 years
Arif ÇOKÇETİN	Corporate Loans Allocation Management Retail and SME Loans Allocation Management Commercial Loans Allocation Management 1-2 Featured Loans Management	July 8, 2020	Bachelor’s	26 years
Kadir KARATAŞ	Human Resources, Corporate Development and Academy	August 13, 2020	Bachelor’s	24 years

The persons mentioned above do not have a significant share in the non-public portion of the Bank’s shares.

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FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

GENERAL INFORMATION (Continued)

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

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

Regarding the election of the Members of the Board of Directors at the Bank's 67th Ordinary General Assembly Meeting held on March 26, 2021; Abdülkadir AKSU to continue his duty as an independent member of the Board of Directors; It was decided by majority of votes that Mustafa SAYDAM be elected for 3 years to take the place of Hamza YERLIKAYA.

At the Board of Directors Meeting held on 26 March 2021, in accordance with the Related Articles of our Bank's Articles of Association:

- Mr. Mustafa Saydam was elected as the Chairman of the Board,
- Mr. Cemil Rağıp Ertem was elected as the Deputy Chairman of the Board of Directors,
- Mr. Abdi Serdar Üstünsalih was elected as the General Manager

by unanimous vote.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

GENERAL INFORMATION (Continued)

IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS

Shareholders- June 30, 2021	Nominal Value of Shares	Share Percentage	Paid Shares	
			(Nominal)	Unpaid Shares
Türkiye Varlık Fonu (Group D)	1,405,622	35.99	1,405,622	-
TC Hazine ve Maliye Bakanlığı (Group A)	1,075,058	27.52	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	10.31	402,553	-
TC Hazine ve Maliye Bakanlığı (Group B)	387,673	9.93	387,673	-

Shareholders- December 31, 2020	Nominal Value of Shares	Share Percentage	Paid Shares	
			(Nominal)	Unpaid Shares
Türkiye Varlık Fonu (Group D)	1,405,622	35.99	1,405,622	-
TC Hazine ve Maliye Bakanlığı (Group A)	1,075,058	27.52	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	10.31	402,553	-
TC Hazine ve Maliye Bakanlığı (Group B)	387,673	9.93	387,673	-

As of June 30, 2021 and December 31, 2020 shareholder holding control over the Bank is the Republic of Turkey Ministry of Treasury and Finance having 37.45% of the Parent Bank’s outstanding shares. Other organizations that are qualified shareholders are Turkey Wealth Fund, with 35.99% share and Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, with 10.31% share.

With the Decree Law No. 696 published in the Official Gazette dated December 24, 2017, the Presidential decision dated December 3, 2019 and the material event disclosure made by the Parent Bank on May 20, 2020, the material event disclosure made by the Parent Bank and the changes brought about the Parent Bank's capital structure are explained in detail in the I. Section General Information section of the report, under heading II.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

GENERAL INFORMATION (Continued)

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

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

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

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

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

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

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

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

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

As at June 30, 2021, The Parent Bank has 935 domestic, 4 foreign, in total 939 branches (December 31, 2020: 933 domestic, 3 foreign, in total 936 branches). As at June 30, 2021, The Parent Bank has 16,673 employees (December 31, 2020: 16,748 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 NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

(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 six-month period ended June 30, 2021, the financial statements of T. Vakıflar Bankası T.A.O., Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the full consolidated financial statements of the Group.

As at and for the six-month period ended June 30, 2021, 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, Kredi Garanti Fonu AŞ and Birleşik İpotek Finansmanı 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 Sanayii ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonal AŞ, Platform Ortak Kartlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası AŞ, Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, JCR Avrasya Derecelendirme AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TFRS-9 in the consolidated financial statements.

Vakıf Enerji ve Madencilik AŞ, Taksim Otelcilik AŞ, Vakıf Pazarlama Sanayi ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme AŞ have not been consolidated since they are not among the financial subsidiaries of the Bank. Therefore, the subsidiaries whose fair value can be reliably measured are reflected in the consolidated financial statements at their fair values in accordance with TFRS 9.

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI NOTES TO THE CONSOLIDATED FINANCIAL
STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

(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 CONSOLIDATED BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION) AS AT JUNE 30, 2021**

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

ASSETS	Notes	Current Period June 30, 2021			Prior Period December 31, 2020		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		53,963,399	143,156,705	197,120,104	53,386,866	143,243,468	196,630,334
1.1 Cash and cash equivalents	V-I-1	9,759,471	71,121,964	80,881,435	14,925,286	81,577,857	96,503,143
1.1.1 Cash and balances at Central Bank	V-I-1	8,577,930	57,600,788	66,178,718	14,662,490	78,544,752	93,207,242
1.1.2 Banks	V-I-3	1,178,467	13,521,202	14,699,669	58,997	3,033,183	3,092,180
1.1.3 Receivables from Money Markets		11,032	-	11,032	206,589	-	206,589
1.1.4 Allowance for expected credit losses (-)	V-I-16	7,958	26	7,984	2,790	78	2,868
1.2 Financial assets at fair value through profit or loss	V-I-2	316,601	11,037,678	11,354,279	297,243	7,161,038	7,458,281
1.2.1 Public debt securities		110,830	10,837,387	10,948,217	110,576	7,000,000	7,110,576
1.2.2 Equity instruments		170,588	200,291	370,879	170,609	161,038	331,647
1.2.3 Other financial assets		35,183	-	35,183	16,058	-	16,058
1.3 Financial assets at fair value through other comprehensive income	V-I-4	38,036,710	59,503,607	97,540,317	31,026,129	52,901,796	83,927,925
1.3.1 Public debt securities		37,449,417	57,592,860	95,042,277	30,422,704	51,083,898	81,506,602
1.3.2 Equity instruments		14,731	4,694	19,425	14,131	4,028	18,159
1.3.3 Other financial assets		572,562	1,906,053	2,478,615	589,294	1,813,870	2,403,164
1.4 Derivative financial assets	V-I-2	5,850,617	1,493,456	7,344,073	7,138,208	1,602,777	8,740,985
1.4.1 Derivative financial assets at fair value through profit or loss		5,850,617	1,493,456	7,344,073	7,138,208	1,602,777	8,740,985
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		358,255,800	167,166,019	525,421,819	343,944,228	142,525,708	486,469,936
2.1 Loans	V-I-5	330,274,989	148,931,640	479,206,629	315,239,878	125,612,148	440,852,026
2.2 Receivables from leasing transactions	V-I-10	952,459	2,633,802	3,586,261	903,110	2,367,900	3,271,010
2.3 Factoring receivables		3,934,707	192,371	4,127,078	5,481,094	270,646	5,751,740
2.4 Financial assets measured at amortised cost	V-I-6	44,998,301	15,665,447	60,663,748	44,218,605	14,528,647	58,747,252
2.4.1 Public debt securities		44,939,350	15,448,453	60,387,803	44,159,655	14,342,399	58,502,054
2.4.2 Other financial assets		58,951	216,994	275,945	58,950	186,248	245,198
2.5 Allowance for expected credit losses (-)		21,904,656	257,241	22,161,897	21,898,459	253,633	22,152,092
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"	V-I-14	1,165,543	-	1,165,543	1,256,254	-	1,256,254
3.1 Held for sale purpose		1,165,543	-	1,165,543	1,256,254	-	1,256,254
3.2 Related to discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		1,905,928	3	1,905,931	1,883,825	3	1,883,828
4.1 Investments in associates (Net)	V-I-7	1,520,729	3	1,520,732	1,495,974	3	1,495,977
4.1.1 Associates accounted by using equity method		559,513	-	559,513	530,191	-	530,191
4.1.2 Unconsolidated associates		961,216	3	961,219	965,783	3	965,786
4.2 Investments in subsidiaries (Net)	V-I-8	385,199	-	385,199	387,851	-	387,851
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		385,199	-	385,199	387,851	-	387,851
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)		5,069,687	16,310	5,085,997	4,882,144	14,266	4,896,410
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		294,885	356	295,241	273,776	348	274,124
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		280,254	356	280,610	259,145	348	259,493
VII. INVESTMENT PROPERTIES (Net)	V-I-12	659,593	-	659,593	502,143	-	502,143
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	V-I-13	1,180,745	-	1,180,745	1,234,832	-	1,234,832
X. OTHER ASSETS	V-I-15	7,256,403	2,303,640	9,560,043	8,005,234	10,937,422	18,942,656
TOTAL ASSETS		429,751,983	312,643,033	742,395,016	415,369,302	296,721,215	712,090,517

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 CONSOLIDATED BALANCE SHEET
(STATEMENT OF FINANCIAL POSITION) AS AT JUNE 30, 2021**

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

			Current Period			Prior Period		
			June 30, 2021			December 31, 2020		
	LIABILITIES	Notes	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	219,672,219	215,708,088	435,380,307	214,241,507	203,280,375	417,521,882
II.	BORROWINGS	V-II-3	2,151,738	62,428,969	64,580,707	2,450,296	49,238,699	51,688,995
III.	MONEY MARKET FUNDS		75,151,683	23,021,850	98,173,533	79,758,688	21,553,517	101,312,205
IV.	MARKETABLE SECURITIES ISSUED (Net)	V-II-3	11,782,224	33,275,410	45,057,634	11,262,156	34,892,367	46,154,523
4.1	Bills		6,389,810	358,625	6,748,435	5,960,553	2,188,163	8,148,716
4.2	Asset backed securities		-	-	-	-	-	-
4.3.	Bonds		5,392,414	32,916,785	38,309,199	5,301,603	32,704,204	38,005,807
V.	FUNDS		3,005	-	3,005	3,053	-	3,053
5.1	Borrower funds		-	-	-	-	-	-
5.2	Other		3,005	-	3,005	3,053	-	3,053
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	V-II-2	275,674	2,213,045	2,488,719	4,061,171	2,022,130	6,083,301
7.1	Derivative financial liabilities at fair value through profit or loss		275,674	2,213,045	2,488,719	4,061,171	2,022,130	6,083,301
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII.	FACTORING PAYABLES		231	-	231	672	-	672
IX.	LEASE PAYABLES (Net)	V-II-5	890,689	-	890,689	978,735	-	978,735
X.	PROVISIONS	V-II-7	3,212,386	63,805	3,276,191	2,980,102	70,295	3,050,397
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		1,459,533	7,527	1,467,060	1,555,683	5,534	1,561,217
10.3	Insurance technical reserves (Net)		-	-	-	-	-	-
10.4	Other provisions		1,752,853	56,278	1,809,131	1,424,419	64,761	1,489,180
XI.	CURRENT TAX LIABILITIES	V-II-8	707,050	2,482	709,532	950,476	4,329	954,805
XII.	DEFERRED TAX LIABILITIES	V-II-8	-	63,407	63,407	103	57,525	57,628
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	V-II-9	-	-	-	-	-	-
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT	V-II-10	6,400,216	14,758,929	21,159,145	6,401,461	13,057,337	19,458,798
14.1	Loans		-	-	-	-	-	-
14.2	Other debt instruments		6,400,216	14,758,929	21,159,145	6,401,461	13,057,337	19,458,798
XV.	OTHER LIABILITIES	V-II-4	15,766,443	5,941,351	21,707,794	13,798,644	3,874,792	17,673,436
XVI.	SHAREHOLDERS' EQUITY	V-II-11	46,973,528	1,930,594	48,904,122	45,408,347	1,743,740	47,152,087
16.1	Paid-in capital	V-II-11	3,905,622	-	3,905,622	3,905,622	-	3,905,622
16.2	Capital reserves		6,337,205	-	6,337,205	6,265,527	-	6,265,527
16.2.1	Equity share premiums		6,303,346	-	6,303,346	6,303,347	-	6,303,347
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Other capital reserves		33,859	-	33,859	(37,820)	-	(37,820)
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		1,589,584	-	1,589,584	1,603,596	-	1,603,596
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(120,409)	1,432,680	1,312,271	169,087	1,210,809	1,379,896
16.5	Profit reserves		32,613,263	304,842	32,918,105	26,431,074	273,876	26,704,950
16.5.1	Legal reserves		3,444,538	17,882	3,462,420	2,811,181	17,882	2,829,063
16.5.2	Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3	Extraordinary reserves		26,541,337	283,345	26,824,682	21,810,638	252,379	22,063,017
16.5.4	Other profit reserves		2,621,051	3,615	2,624,666	1,802,918	3,615	1,806,533
16.6	Profit or loss		1,618,207	188,402	1,806,609	6,291,176	254,385	6,545,561
16.6.1	Prior years' profits or losses		49,508	62,388	111,896	196,734	11,374	208,108
16.6.2	Current period net profit or loss		1,568,699	126,014	1,694,713	6,094,442	243,011	6,337,453
16.7	Minority interests		1,030,056	4,670	1,034,726	742,265	4,670	746,935
TOTAL LIABILITIES AND EQUITY			382,987,086	359,407,930	742,395,016	382,295,411	329,795,106	712,090,517

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 CONSOLIDATED OFF-BALANCE SHEET
ITEMS AS AT JUNE 30, 2021**

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

		Current Period June 30, 2021			Prior Period December 31, 2020		
	Notes	TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)	188,537,414	306,677,605	495,215,019	168,755,052	278,884,858	447,639,910
I.	GUARANTEES AND WARRANTIES	48,487,090	77,861,051	126,348,141	43,928,944	58,547,258	102,476,202
1.1.	Letters of guarantee	47,640,216	41,043,888	88,684,104	43,395,971	32,027,856	75,423,827
1.1.1.	Guarantees subject to state tender law	2,600,266	12,359,011	14,959,277	2,594,448	10,005,488	12,599,936
1.1.2.	Guarantees given for foreign trade operations	2,436,344	-	2,436,344	2,335,826	-	2,335,826
1.1.3.	Other letters of guarantee	42,603,606	28,684,877	71,288,483	38,465,697	22,022,368	60,488,065
1.2.	Bank acceptances	4,258	7,000,973	7,004,973	4,258	5,111,534	5,115,792
1.2.1.	Import letter of acceptance	-	308,243	308,243	-	289,665	289,665
1.2.2.	Other bank acceptances	4,258	6,692,472	6,696,730	4,258	4,821,869	4,826,127
1.3.	Letters of credit	289,813	29,031,341	29,321,154	253,982	20,667,442	20,921,424
1.3.1.	Documentary letters of credit	289,813	29,031,341	29,321,154	253,982	20,667,442	20,921,424
1.3.2.	Other letters of credit	-	-	-	-	-	-
1.4.	Pre-financings given as guarantee	-	6,903	6,903	-	5,925	5,925
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Purchase guarantees for securities issued	-	-	-	-	-	-
1.7.	Factoring guarantees	217,440	647,939	865,379	1,000	474,188	475,188
1.8.	Other guarantees	160,362	130,265	290,627	187,331	106,963	294,294
1.9.	Other warranties	175,001	-	175,001	86,402	153,350	239,752
II.	COMMITMENTS	75,615,378	44,808,250	120,423,628	72,066,613	42,415,370	114,481,983
2.1.	Irrevocable commitments	66,216,770	3,972,830	70,189,600	62,318,729	6,517,443	68,836,172
2.1.1.	Asset purchase and sales commitments	2,208,438	3,594,885	5,803,323	5,695,753	6,147,096	11,842,849
2.1.2.	Deposit purchase and sales commitments	-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	3,150	-	3,150	3,150	-	3,150
2.1.4.	Loan granting commitments	28,159,369	2,733	28,162,102	26,086,273	2,419	26,088,692
2.1.5.	Securities issuance brokerage commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Commitments for cheque payments	6,350,623	-	6,350,623	5,723,932	-	5,723,932
2.1.8.	Tax and fund liabilities on export commitments	-	-	-	-	-	-
2.1.9.	Commitments for credit card expenditure limits	25,830,100	-	25,830,100	21,320,698	-	21,320,698
2.1.10.	Commitments for credit card and banking services promotions	616,550	-	616,550	597,623	-	597,623
2.1.11.	Receivables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.12.	Payables from short sale commitments on marketable securities	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	3,048,540	375,212	3,423,752	2,891,300	367,928	3,259,228
2.2.	Revocable commitments	9,398,608	40,835,420	50,234,028	9,747,884	35,897,927	45,645,811
2.2.1.	Revocable loan granting commitments	9,398,608	40,835,420	50,234,028	9,747,884	35,897,927	45,645,811
2.2.2.	Other revocable commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	64,434,946	184,008,304	248,443,250	52,759,495	177,922,230	230,681,725
3.1.	Derivative financial instruments held for hedging purposes	-	-	-	-	-	-
3.1.1.	Fair value hedges	-	-	-	-	-	-
3.1.2.	Cash flow hedges	-	-	-	-	-	-
3.1.3.	Hedging for investments made in foreign countries	-	-	-	-	-	-
3.2.	Trading transactions	64,434,946	184,008,304	248,443,250	52,759,495	177,922,230	230,681,725
3.2.1.	Forward foreign currency purchase and sale transactions	4,772,668	5,013,019	9,785,687	1,523,642	1,550,002	3,073,644
3.2.1.1.	Forward foreign currency purchase transactions	2,394,766	2,506,611	4,901,377	864,639	681,888	1,546,527
3.2.2.	Forward foreign currency sales	2,377,902	2,506,408	4,884,310	659,003	868,114	1,527,117
3.2.2.	Currency and interest rate swaps	47,987,319	136,793,749	184,781,068	42,382,470	153,888,563	196,271,033
3.2.2.1.	Currency swap purchase transactions	241,893	49,755,622	49,997,515	1,626,406	56,087,175	57,713,581
3.2.2.2.	Currency swap sale transactions	45,015,426	4,776,197	49,791,623	37,636,064	20,995,076	58,631,140
3.2.2.3.	Interest rate swap purchase transactions	1,365,000	41,130,965	42,495,965	1,560,000	38,403,156	39,963,156
3.2.2.4.	Interest rate swaps sale transactions	1,365,000	41,130,965	42,495,965	1,560,000	38,403,156	39,963,156
3.2.3.	Currency, interest rate and security options	3,264,555	4,188,262	7,452,817	247,144	919,172	1,166,316
3.2.3.1.	Currency purchase option	1,699,707	1,998,864	3,698,571	143,814	430,420	574,234
3.2.3.2.	Currency sale option	1,564,848	2,189,398	3,754,246	103,330	488,752	592,082
3.2.3.3.	Interest rate purchase options	-	-	-	-	-	-
3.2.3.4.	Interest rate sale options	-	-	-	-	-	-
3.2.3.5.	Security purchase options	-	-	-	-	-	-
3.2.3.6.	Security sale options	-	-	-	-	-	-
3.2.4.	Currency futures	-	-	-	195,835	186,250	382,085
3.2.4.1.	Currency purchase futures	-	-	-	-	186,250	186,250
3.2.4.2.	Currency sales futures	-	-	-	195,835	-	195,835
3.2.5.	Interest rate futures	-	-	-	-	-	-
3.2.5.1.	Interest rate purchases futures	-	-	-	-	-	-
3.2.5.2.	Interest rate sales futures	-	-	-	-	-	-
3.2.6.	Other	8,410,404	38,013,274	46,423,678	8,410,404	21,378,243	29,788,647
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	5,174,319,362	4,743,729,604	9,918,048,966	3,978,687,376	3,684,354,649	7,663,042,025
IV.	ITEMS HELD IN CUSTODY	80,324,209	35,574,645	115,898,854	73,978,380	28,612,031	102,590,411
4.1.	Customer fund and portfolio balances	4,878,489	-	4,878,489	4,274,226	-	4,274,226
4.2.	Securities held in custody	52,081,521	9,473,223	61,554,744	47,305,937	8,853,001	56,158,938
4.3.	Checks received for collection	14,901,395	2,178,369	17,079,764	11,974,344	1,763,897	13,738,241
4.4.	Commercial notes received for collection	5,948,257	1,603,271	7,551,528	8,327,754	1,406,998	9,734,752
4.5.	Other assets received for collection	2,152	347	2,499	2,152	298	2,450
4.6.	Securities received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	593,986	12,713,137	13,307,123	636,516	10,335,188	10,971,704
4.8.	Custodians	1,918,409	9,606,298	11,524,707	1,457,451	6,252,649	7,710,100
V.	PLEDGED ITEMS	811,243,194	311,448,813	1,122,692,007	775,302,799	312,599,654	1,087,902,453
5.1.	Marketable securities	215,273	112,796	328,069	321,148	200,660	521,808
5.2.	Guarantee notes	1,127,207	5,302,387	6,429,594	1,153,894	4,085,645	5,239,539
5.3.	Commodity	120,199,039	3,974,744	124,173,783	111,710,308	3,495,630	115,205,938
5.4.	Warrant	-	-	-	-	-	-
5.5.	Immovables	550,628,654	259,195,356	809,824,010	529,461,764	262,692,582	792,154,346
5.6.	Other pledged items	138,603,632	42,705,007	181,308,639	132,138,333	41,983,730	174,122,063
5.7.	Depositories receiving pledged items	469,389	158,523	627,912	517,352	141,407	658,759
VI.	ACCEPTED GUARANTEES AND WARRANTIES	4,282,751,999	4,396,706,146	8,679,458,105	3,129,406,197	3,343,142,964	6,472,549,161
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		5,362,856,776	5,050,407,209	10,413,263,985	4,147,442,428	3,963,239,307	8,110,681,935

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 CONSOLIDATED STATEMENT OF PROFIT
OR LOSS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

	Notes	Current Period January 1, 2021- June 30, 2021	Current Period April 1, 2021- June 30, 2021	Prior Period January 1, 2020- June 30, 2020	Prior Period April 1, 2020- June 30, 2020
I. INTEREST INCOME	V-IV-1	31,212,567	16,541,348	21,523,890	11,069,144
1.1 Interest on loans	V-IV-1	23,680,912	12,343,620	17,244,675	8,863,470
1.2 Interest received from reserve deposits		364,232	226,096	34,251	16,995
1.3 Interest received from banks	V-IV-1	14,810	6,202	65,793	14,882
1.4 Interest received from money market transactions		3,033	710	750	271
1.5 Interest received from marketable securities portfolio	V-IV-1	6,989,679	3,884,864	4,042,983	2,115,509
1.5.1 Financial assets at fair value through profit or loss		79,832	47,605	55,012	20,669
1.5.2 Financial assets at fair value through other comprehensive income		3,426,368	1,896,612	1,702,839	953,657
1.5.3 Financial assets measured at amortised cost		3,483,479	1,940,647	2,285,132	1,141,183
1.6 Finance lease interest income		148,385	77,096	123,424	61,655
1.7 Other interest income		11,516	2,760	12,014	(3,638)
II. INTEREST EXPENSES	V-IV-2	24,996,099	13,180,751	10,900,196	5,526,588
2.1 Interest on deposits	V-IV-2	15,052,401	7,745,198	6,104,374	3,121,734
2.2 Interest on funds borrowed	V-IV-2	790,086	441,866	799,995	381,045
2.3 Interest on money market transactions		6,266,830	3,532,384	1,574,239	857,999
2.4 Interest on securities issued	V-IV-2	2,744,943	1,413,508	2,219,868	1,080,207
2.5 Leasing interest income		68,094	36,325	76,818	37,460
2.6 Other interest expenses		73,745	11,470	124,902	48,143
III. NET INTEREST INCOME/EXPENSE (I - II)		6,216,468	3,360,597	10,623,694	5,542,556
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1,712,260	982,062	1,604,913	804,518
4.1 Fees and commissions received		2,317,976	1,308,618	2,008,991	983,265
4.1.1 Non-cash loans		449,790	231,082	362,436	182,110
4.1.2 Other		1,868,186	1,077,536	1,646,555	801,155
4.2 Fees and commissions paid (-)		605,716	326,556	404,078	178,747
4.2.1 Non-cash loans		3,981	2,215	4,317	2,771
4.2.2 Other		601,735	324,341	399,761	175,976
V. DIVIDEND INCOME		22,788	7,024	17,287	16,898
VI. TRADING PROFIT/LOSS (Net)	V-IV-3	(1,875,791)	(1,405,762)	(766,656)	(186,821)
6.1 Profit/losses from capital market transactions	V-IV-3	554,147	154,228	733,698	580,993
6.2 Profit/losses from derivative financial transactions	V-IV-3	(2,836,147)	(1,793,425)	(1,035,944)	(774,960)
6.3 Foreign exchange profit/losses	V-IV-3	406,209	233,435	(464,410)	7,146
VII. OTHER OPERATING INCOME	V-IV-4	5,270,937	1,572,571	5,295,242	1,891,339
VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		11,346,662	4,516,492	16,774,480	8,068,490
IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	V-IV-5	4,507,243	1,453,202	6,368,294	3,218,864
X. OTHER PROVISION EXPENSES (-)	V-IV-5	411,966	4,044	78,167	3,232
XI. PERSONNEL EXPENSES (-)		1,864,940	899,374	1,749,805	887,346
XII. OTHER OPERATING EXPENSES (-)	V-IV-6	2,516,509	1,327,184	3,342,620	973,996
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		2,046,004	832,688	5,235,594	2,985,052
XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XV. NET MONETARY POSITION GAIN/LOSS PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	V-IV-7	2,087,163	854,190	5,263,551	2,999,623
XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	V-IV-10	(332,523)	(48,432)	(1,040,084)	(579,592)
18.1 Current tax provision	V-IV-10	(221,389)	(190,299)	(1,773,065)	(1,624,293)
18.2 Expense effect of deferred tax (+)	V-IV-10	(1,643,592)	(277,738)	(626,768)	(172,217)
18.3 Income effect of deferred tax (-)	V-IV-10	1,532,458	419,605	1,359,749	1,216,918
XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVIII±XV)	V-IV-9	1,754,640	805,758	4,223,467	2,420,031
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-	-	-
20.3 Other income from discontinued operations		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-	-	-
21.3 Other expenses from discontinued operations		-	-	-	-
XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current tax provision		-	-	-	-
23.2 Expense effect of deferred tax (+)		-	-	-	-
23.3 Income effect of deferred tax (-)		-	-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV. NET PROFIT/LOSSES (XIX+XXIV)	V-IV-11	1,754,640	805,758	4,223,467	2,420,031
25.1 Group's profit/(loss)		1,694,713	772,710	4,192,264	2,425,909
25.2 Minority shares (-)		59,927	33,048	31,203	(5,878)
Profit/Loss per 100 shares (full TL)	III-XXIV	0.4493	0.2063	1.3575	0.6361

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 CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		Current Period January 1, 2021- June 30, 2021	Prior Period January 1, 2020- June 30, 2020
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
I.	PROFIT (LOSS)	1,754,640	4,223,467
II.	OTHER COMPREHENSIVE INCOME	(81,654)	510,773
2.1.	Other comprehensive income that will not be reclassified to profit or loss	(14,029)	(3,736)
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	-	9,021
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(275)	(1,450)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	(14,572)	(3,475)
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	818	(7,832)
2.2.	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(67,625)	514,509
2.2.1.	Exchange Differences on Translation	54,625	61,279
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	(275,366)	611,869
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	97,601	(31,049)
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	55,515	(127,590)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	1,672,986	4,734,240

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 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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								
	Notes	Paid in Capital	Share Premium	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 Except minority share	Minority interest	Total Shareholders' Equity
Current Period June 30, 2021																	
I.	Prior Period End Balance	3,905,622	6,303,347	-	(37,820)	888,033	(181,150)	896,713	525,776	1,038,528	(184,408)	26,704,950	6,545,561	-	46,405,152	746,935	47,152,087
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	3,905,622	6,303,347	-	(37,820)	888,033	(181,150)	896,713	525,776	1,038,528	(184,408)	26,704,950	6,545,561	-	46,405,152	746,935	47,152,087
IV.	Total Comprehensive Income	-	-	-	-	-	(122)	(13,810)	54,625	(219,851)	97,601	-	-	1,694,713	1,613,156	59,830	1,672,986
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Subordinated Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	(1)	-	71,679	-	-	-	-	-	-	994,357	(1,208,777)	-	(142,742)	228,564	85,822
XI.	Profit Distribution	-	-	-	-	(80)	-	-	-	-	-	5,218,798	(5,224,888)	-	(6,170)	(603)	(6,773)
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(6,162)	-	(6,162)	(603)	(6,765)
11.2.	Transfers to Reserves	-	-	-	-	(80)	-	-	-	-	-	5,215,447	(5,215,375)	-	(8)	-	(8)
11.3.	Other	-	-	-	-	-	-	-	-	-	-	3,351	(3,351)	-	-	-	-
Ending Balance (I+II+...X+XI)		3,905,622	6,303,346	-	33,859	887,953	(181,272)	882,903	580,401	818,677	(86,807)	32,918,105	111,896	1,694,713	47,869,396	1,034,726	48,904,122

1. Property & Equipment Revaluation Increase/Decrease

2. Defined Benefit Pension Plan Remeasurement Gain/Loss

3. Other (Accumulated Amount of the Shares Stated as Other Comprehensive Income Not Reclassified Through Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)

4. Translation Differences from Foreign Currency Transactions

5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income

6. Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method).

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

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

	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total SE Except minority share	Minority interest	Total Shareholders' Equity
						1	2	3	4	5	6						
Prior Period June 30, 2020																	
I. Prior Period End Balance		2,500,000	723,962	-	115,979	693,898	(105,972)	697,496	407,474	879,787	(43,358)	23,631,390	3,180,500	-	32,681,156	871,134	33,552,290
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		2,500,000	723,962	-	115,979	693,898	(105,972)	697,496	407,474	879,787	(43,358)	23,631,390	3,180,500	-	32,681,156	871,134	33,552,290
IV. Total Comprehensive Income		-	-	-	-	(889)	(738)	(1,089)	61,279	484,279	(31,049)	-	-	4,192,264	4,704,057	30,183	4,734,240
V. Capital Increase by Cash		1,405,622	5,579,361	-	-	-	-	-	-	-	-	-	-	-	6,984,983	-	6,984,983
VI. Capital Increase by Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	(132,732)	-	-	-	-	-	-	55,385	10,768	-	(66,579)	(204,533)	(271,112)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	2,926,656	(2,926,656)	-	-	-	-
11.1. Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,926,656	(2,926,656)	-	-	-	-
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance		3,905,622	6,303,323	-	(16,753)	693,009	(106,710)	696,407	468,753	1,364,066	(74,407)	26,613,431	264,612	4,192,264	44,303,617	696,784	45,000,401

1. Property & Equipment Revaluation Increase/Decrease

2. Defined Benefit Pension Plan Remeasurement Gain/Loss

3. Other (Accumulated Amount of the Shares Stated as Other Comprehensive Income Not Reclassified Through Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)

4. Translation Differences from Foreign Currency Transactions

5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income

6. Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method).

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED STATEMENT OF CASH
FLOW FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

	Notes	Current Period June 30, 2021	Prior Period June 30, 2020
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		4,056,268	5,470,111
1.1.1 Interest received (+)		30,904,852	17,163,089
1.1.2 Interest paid (-)		(23,923,086)	(11,081,200)
1.1.3 Dividends received (+)		22,788	17,287
1.1.4 Fees and commissions received (+)		2,368,733	2,527,842
1.1.5 Other income (+)		267,784	341,928
1.1.6 Collections from previously written off loans and other receivables (+)		2,011,556	2,210,432
1.1.7 Cash payments to personnel and service suppliers (-)		(2,010,765)	(1,806,330)
1.1.8 Taxes paid (-)		(706,131)	(802,190)
1.1.9 Other (+/-)		(4,879,463)	(3,100,747)
1.2 Changes in operating assets and liabilities subject to banking operations		(8,388,921)	497,563
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(3,855,715)	(5,783,989)
1.2.2 Net decrease (increase) in due from banks (+/-)		(728,044)	(236,264)
1.2.3 Net decrease (increase) in loans		(45,147,949)	(90,711,477)
1.2.4 Net decrease (increase) in other assets (+/-)		10,709,133	(767,330)
1.2.5 Net increase (decrease) in bank deposits (+/-)		(5,330,369)	963,697
1.2.6 Net increase (decrease) in other deposits (+/-)		22,294,090	83,251,876
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		-	-
1.2.8 Net increase (decrease) in funds borrowed (+/-)		12,852,612	2,374,052
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		817,321	11,406,998
I. Net cash provided from banking operations(+/-)		(4,332,653)	5,967,674
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities(+/-)		(11,928,658)	(18,806,678)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		-	(254,380)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		-	700
2.3 Cash paid for the purchase of tangible and intangible asset (-)		(1,236,567)	(1,260,342)
2.4 Cash obtained from the sale of tangible and intangible asset (+)		1,041,298	63,626
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(19,353,454)	(29,521,793)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		5,658,303	12,839,699
2.7 Cash paid for the purchase of financial assets at amortised cost (-)		-	(7,230,533)
2.8 Cash obtained from sale of financial assets at amortised cost(+)		1,996,426	6,578,646
2.9 Other (+/-)		(34,664)	(22,301)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities (+/-)		32,349	14,405,375
3.1 Cash obtained from funds borrowed and securities issued (+)		6,622,558	20,001,435
3.2 Cash outflow from funds borrowed and securities issued (-)		(6,407,381)	(12,399,725)
3.3 Equity instruments issued (+)		-	7,000,000
3.4 Dividends paid (-)		(603)	-
3.5 Payments for finance lease liabilities (-)		(182,225)	(196,335)
3.6 Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(114,997)	974
V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)		(16,343,959)	1,567,345
VI. Cash and cash equivalents at beginning of the period (+)		55,596,047	29,986,852
VII. Cash and cash equivalents at end of the period (V+VI)		39,252,088	31,554,197

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED
FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. BASIS OF PRESENTATION

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

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

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

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

Covid-19 virus, which first appeared in China and spread rapidly worldwide in a short time, started to appear in our country in March 2020. Declared as an epidemic by the World Health Organization, Covid-19 had economic and social impacts worldwide. In order to slow down the epidemic, many measures have been taken, including in our country, to restrict travels around the world, to take quarantine measures, to increase distance work, and various arrangements are made to reduce the economic effects of the epidemic. The Group has explained the effects of Covid-19, which it reflects in the financial statements dated June 30, 2021, in the following sections.

Benchmark Rate Reform - Stage 2, which introduces amendments to TFRS9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 2021, was published in December 2020 and early application of the changes is permitted. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The changes came into effect from 1 January 2021. Loans given from items indexed to benchmark interest rates in the Parent Bank's financial statements and securities assets; Securities issued, derivative transactions and loans obtained through repo constitute liabilities. These changes do not have a significant impact on the Parent Bank's financial position or performance. The process for the Benchmark Interest Rate Reform is expected to be completed by December 31, 2021, and the Parent Bank's efforts to adapt to the changes continue. As of 30 June 2021, the Parent Bank has no hedging transactions based on the benchmark interest rate.

The accounting policies applied in the current period are in line with the previous period financial statements. The accounting policies followed and the valuation principles used in the preparation of financial statements are presented in detail below.

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

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

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

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

ACCOUNTING POLICIES (Continued)

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

Information on foreign currency transactions

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

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

In March 24, 2020, Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (ESV) shares, which are presented in the paid-in capital of Vakıfbank International AG Turkey Foundations Bank, are purchased by the Parent Bank. Because of the exchange risk arise from the 75.7 Million EUR of Vakıfbank International AG's paid-in capital shares amounting to 100 Million EUR, the fair value hedging strategy has been applied. In this context, 76 Million EUR portion of the securities issued by the Parent Bank on 24 April 2019 with a nominal amount of 700 million Euros and the redemption date of 24 April 2024, were determined as hedging instruments. In this transaction, fair value changes related to the investment abroad, which is a hedged item, are reflected in the income statement as long as the hedging transaction is effective. In this context, as of June 30, 2021, the foreign exchange income presented in the income statement is 86,807 TL. The effectiveness of the transaction is the degree to balance the changes in the fair value of the hedged item that can be associated with the hedged currency risk by the hedging instrument.

As of June 30, 2021, it was identified that the evaluations that were made about the process to protect from the net investment hedge were effective. Efficiency testing, which is consistent with the Parent Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS-39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The Parent Bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED
FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

(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 six-month period ended June 30, 2021, the financial statements of T. Vakıflar Bankası T.A.O, Vakıfbank International AG, Vakıf Finansal Kiralama AŞ, Vakıf Faktoring AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ and Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ have been included in the consolidated financial statements of the Group.

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

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

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

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

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

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

Pursuant to the March 4, 2010 dated and 764 numbered decision of Board of Directors of Central Bank of Turkish Republic of Northern Cyprus, the official authorisation of World Vakıf UBB Ltd., a subsidiary which was subject to consolidation in previous periods, is abrogated due to 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 June 30, 2021 and December 31, 2020 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED
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ACCOUNTING POLICIES (Continued)

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

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

As per the resolution of the Board of Directors of the Parent Bank held on September 8, 2011, it has been decided to merge Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ with Vakıf Pazarlama Ticaret AŞ with dissolution of Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi AŞ without liquidation, in accordance with Mülga Law No: 6762, article 451 of Turkish Commercial Code. Since Vakıf Pazarlama ve Ticaret AŞ is not a financial subsidiary anymore, its financial statements have not been consolidated as at June 30, 2021 and December 31, 2020, 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 six-month period ended June 30, 2021, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

IV. INFORMATION ON FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

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

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

Embedded derivative products are not separated from the articles of association and are accounted according to the standard on which the articles of association are based. As of June 30, 2021, the Parent Bank does not have any embedded derivative financial instruments.

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

ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSES

Banking activities

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

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

Finance leasing activities

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

Factoring operations

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

VI. INFORMATION ON FEES AND COMMISSIONS

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

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

Classification and Measurement of Financial Instruments

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED
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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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

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

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

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

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

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.

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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

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

Financial Assets Measured at Amortized Cost

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

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

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

Derivative Financial Assets

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

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

Loans

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

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

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

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

Different macroeconomic models have been created for the retail portfolio and commercial portfolio, and macroeconomic forecasts affect the expected loss provision calculations in two separate scenarios, base and bad. The scenario weights used in the calculation of the "Expected Credit Loss Provision" were reconsidered in the year of 2020 and the weight of negative scenario was increased and adjustments were made in macroeconomic estimates in order to reflect the effects of Covid-19. The same approach has been continued in 2021. The future macroeconomic expectations taken into account into TFRS 9 are in line with the Bank's current budget and ISEDES forecasts.

In the calculation of expected credit loss in accordance with TFRS 9, certain part of commercial and corporate loans are subject to individual assessment on a customer basis in accordance with internal evaluations. The models and methodologies used for TFRS 9 are evaluated at least once a year by the teams responsible for the model and methodology for their accuracy and suitability. The models and other issues that were created within the scope of TFRS 9 and which need to be updated in 2020 were revised and reflected in financial statements of June 2021.

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

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

Staging

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

Stage 1:

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

Stage 2:

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

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Stage 3:

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

Significant Increase in Credit Risk

The Standard 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.

Restructuring: Classification of financial assets under the stage 2 as a result of the emergence of privileges and financial difficulties in the case of restructuring of financial receivables.

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

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

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

Within the scope of the measures taken for COVID-19, the Parent Bank, pursuant to the BRSA's decision numbered 8970 dated 27 March 2020, effective as of March 17, 2020, and within the scope of Article 4 of the "Regulation on the Principles and Procedures Regarding the Classification of Loans and the Provisions", 30-day delay period which was envisaged for classification in the Group II has started to be applied as 90 days until 31 December 2020 for the loans followed in the Group I. This regulation will be valid until 30 September 2021 according to the decision of the BRSA dated 17 June 2021 and numbered 9624. In this context, receivables that are not collected by the Parent Bank for up to 90 days can be classified under the First Group. In the classification of loans, the Parent Bank also takes into account whether it is due to a temporary liquidity shortage experienced by the borrower because of the COVID-19 outbreak. The Parent bank continues to calculate the Expected Credit Loss based on its own risk models.

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ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS (Continued)

Default Definition

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

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

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

Based on the BRSA's decision numbered 8948 dated March 17, 2020 due to COVID-19, the Parent Bank Within the scope of Articles 4 and 5 of the Regulation On The Classification Of Loans And The Procedures And Principles Related To The Provisions To Be Allocated For Them, the 90-day delay period foreseen for the classification of non-performing loans is 180 days until 31 December 2020 for the loans followed in the First and Second Group as of the Board Decision started to be implemented. The relevant issue will be valid until September 30, 2021, according to the BRSA's decision numbered 9624 dated 17 June 2021. In this context, uncollectible receivables up to 180 days can be classified in the Second Group. The Parent Bank continues to calculate the expected loan loss provision for these loans according to its own risk models. For loans that are not subject to individual evaluation on a customer basis and that have a delay of more than 90 days, the Parent Bank determines the information and elements that cannot be included in the expected loan loss calculations based on expert opinion and reflects them in the provision amount.

Write off Policy

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. In accordance with the amendment in the related regulation on provisions, the deduction of loans from the records is an accounting practice and does not result in the right to waive. In the current period, a write-off transaction has been made for non-performing loans in the amount of TL 8,987 for which 100% provision has been made. (December 31, 2020: TL 890,789)

Asset Sales Policy

Banks that are directly or indirectly owned by the public or banks that are controlled by the public and financial institutions qualified as subsidiaries to these Banks can sell non-performing loans to asset management companies. As of 30 June 2021 and 31 December 2020, there are no transactions of this nature at the

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.

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ACCOUNTING POLICIES (Continued)

X. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING

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

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

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

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

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

XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill in the financial statements of the Parent Bank. The difference between the values of net assets in the financial statements prepared as of the date of the change of shares in the real estate project in which Vakıfbank Gayrimenkul Yatırım Ortaklığı AŞ, which is a subsidiary of the Parent Bank, participates and fair value of the project partnership are classified under Intangible Assets - Goodwill Arising from Purchasing Accounting. As of June 30, 2021, the goodwill amount is TL 14,631 (December 31, 2020: TL 14,631)

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON LEASING ACTIVITIES

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

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

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

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

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

Footnotes on right-of-use assets and liabilities are presented in Note 5, Part II of Section V.

XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

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

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ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON OBLIGATIONS OF THE GROUP CONCERNING EMPLOYEE RIGHTS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at June 30, 2021 is TL 7,639 (full TL) (December 31, 2020: TL 7,117 (full TL)).

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

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.

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ACCOUNTING POLICIES (Continued)

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

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

The technical financial statements of the Fund are audited by the certified actuary according to the "Actuaries Regulation" which is issued as per the Article no. 21 of the 5684 numbered Insurance Law. As per the actuarial report regarding December 31, 2020 in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against as at June 30, 2021.

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, with the "Law On The Procedure Of Collection Of Public Receivables And The Law On Amendments To Some Laws" No. 7316 published in the Official Gazette dated April 22, 2021, this rate will be applied at a rate of 25% for 2021 and 23% for 2022 revenues. Accordingly, the corporate tax rate of 20% was applied in the first temporary tax period of 2021 and 25% from the second temporary tax period. This rate is applied to total income of the Bank adjusted for certain disallowable expenses, exempt income and any other allowances.

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

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

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

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

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

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

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

Corporation tax legislation for the foreign branches

Bahrain

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.

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.

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.

Qatar

The branch of the Parent Bank operating in Qatar is not taxed due to the absence of corporate or income tax in the legislation of this country. In the case of corporate income, it will be taxed in Turkey.

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ACCOUNTING POLICIES (Continued)

XVII. INFORMATION ON TAXATION (Continued)

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.

Calculated deferred tax assets and deferred tax liabilities are shown net in the financial statements only if the Bank has a legal right to offset current tax assets with current tax liabilities and deferred tax assets and liabilities are related to the income tax of the same taxable entity.

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

Transfer Pricing

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

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

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ACCOUNTING POLICIES (Continued)

XVIII. INFORMATION ON CASH AND CASH EQUIVALENT

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

XIX. ADDITIONAL INFORMATION ON BORROWINGS

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

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

The Parent Bank is not hedging about debt instruments.

XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES

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

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

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

In 20 May 2020 the shares with a nominal value of TL 1,405,622 issued by the Parent Bank are sold with a dedicated sales method for a share with a nominal value of TL 1, with a total sales revenue of TL 7,000,000 over the price of TL 4.98. As of the same date, the shares were sold to Turkey Wealth Fund through the wholesale transaction method in stock market and the capital increase transactions have been completed and the amount of 5,579,359 TL was recorded as share premium.

XXI. INFORMATION ON CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

XXII. INFORMATION ON GOVERNMENT INCENTIVES

As at June 30, 2021, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 126,362 (December 31, 2020: TL 150,852).

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ACCOUNTING POLICIES (Continued)

XXIII. INFORMATION ON SEGMENT REPORTING

An operating segment is a component of an entity:

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

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

XXIV. OTHER MATTERS

Earnings per shares

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

As at and for the six-month period ended June 30, 2021, earnings per 100 shares are full TL 0.4493 (June 30, 2020: full TL 1.3575).

Related parties

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

Classifications

"Participation and Subsidiary Shares and Real Estate Sales Gains", which were previously accounted under "Other Comprehensive Income or Expenses That Will Not Be Reclassified In Profit or Loss" in the balance sheet, it was classified under "Other Profit Reserves" in the financial statements, comparative previous periods of the financial statements dated June 30, 2021 are also shown in line with the current period.

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SECTION FOUR

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS

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

Additionally, the recent revision changes considered are as follows:

In accordance with the BRSA regulation dated December 8, 2020 and numbered 9312, in the calculation of capital adequacy ratio, equity amount was used for the ones acquired before this date, excluding the negative valuation differences of securities in the "Fair Value of Financial Assets Through Other Comprehensive Income" portfolio.

In accordance with the BRSA regulation dated June 17, 2021 and numbered 9624, in the calculation of the amount subject to credit risks, simple arithmetic average of Central Bank's foreign currency buying rates belonging to the last 252 business days from the calculation date is taken into consideration.

As of June 30, 2021, Group's equity amount TL 69,401,573 (December 31, 2020: TL 66,178,344) and capital adequacy ratio is 14.88 % (December 31, 2020: 16.05 %).

Information about the consolidated shareholder equity items

Current Period - June 30, 2021	Amount	Amount as per the regulation before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	3,905,622	
Share Premium	6,303,346	
Reserves	32,918,105	
Income recognized under equity in accordance with TAS	3,261,562	
Profit	1,806,609	
Current Period's Profit	1,694,713	
Prior Period's Profit	111,896	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	33,859	
Minority shares	1,032,950	
Common Equity Tier 1 Capital Before Deductions	49,262,053	
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	328,568	-
Leasehold Improvements on Operational Leases	189,705	-
Goodwill netted with deferred tax liability	14,631	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	277,516	277,516
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	810,420	
Common Equity Tier 1 capital (CET1)	48,451,633	
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	12,199,830	-
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	12,199,830	
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK
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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Current Period- June 30, 2021		
Transition From the Core Capital to Continue to deduct Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be 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)	12,199,830	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	60,651,463	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	3,388,492	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	162,881	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	1,776	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	5,370,949	-
Tier 2 Capital Before Deductions	8,761,217	-
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	8,761,217	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	69,412,680	-
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 (-)	11,107	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Deduct 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	69,401,573	-
Total Risk Weighted Amounts	466,352,669	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	10.39	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.01	-
Consolidated Capital Adequacy Ratio (%)	14.88	-
BUFFERS		
Total buffer requirement (a+b+c)	3,514	-
a) Capital conservation buffer requirement (%)	2,500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.014	-
c) Systemically important banks buffer requirement (%)	1.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.89	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	8,250,864	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	5,370,949	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK
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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Prior Period - December 31, 2020		
COMMON EQUITY TIER I CAPITAL		
Paid-in capital to be entitled for compensation after all creditors	3,905,622	-
Share Premium	6,303,347	-
Reserves	26,704,950	-
Income recognized under equity in accordance with TAS	3,195,394	-
Profit	6,545,561	-
Current Period's Profit	6,337,453	-
Prior Period's Profit	208,108	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	(37,820)	-
Minority shares	745,159	-
Common Equity Tier 1 Capital Before Deductions	47,362,213	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	176,087	-
Leasehold Improvements on Operational Leases	187,151	-
Goodwill netted with deferred tax liability	14,631	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	256,205	256,205
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	634,074	-
Common Equity Tier 1 capital (CET1)	46,728,139	-
Additional Tier 1 capital: instruments		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank's borrowing instruments and related issuance premium	11,397,014	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	-
Third parties' share in the Additional Tier 1 capital -	-	-
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	-
Additional Tier 1 Capital before deductions	11,397,014	-
Deductions from Additional Tier 1 Capital		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

	Amount	Amount as per the regulation before 1/1/2014(*)
Prior Period- December 31, 2020		
Transition From the Core Capital to Continue to deduct 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	11,397,014	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	58,125,153	-
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	3,271,420	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	325,763	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	1,776	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4,791,107	-
Tier 2 Capital Before Deductions	8,064,303	-
Deductions From Tier 2 Capital		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Banks 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	8,064,303	-
Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)	66,189,456	-
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 (-)	11,112	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Deduct 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	66,178,344	-
Total Risk Weighted Amounts	412,226,342	-
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	11.34	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	14.10	-
Consolidated Capital Adequacy Ratio (%)	16.05	-
BUFFERS		
Total buffer requirement (a+b+c)	3.516	-
a) Capital conservation buffer requirement (%)	2.500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.016	-
c) Systemically important banks buffer requirement (%)**	1.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.84	-
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Limits related to provisions considered in Tier 2 calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	8,777,846	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	4,791,107	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - June 30, 2021						
Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB0043	XS1984644812	TRSVKFB92925
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment						
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	162	1,976	525	4,994	7,206	725
Par value of instrument (in million)	5,411	1,976	525	4,994	7,206	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011-Subordinated Liabilities
Original date of issuance	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Current Period – June 30, 2021						
	Coupons / dividends					
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate / Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in a year	Floating interest rate / Interest payment once in three months, principal payment at the maturity date
Coupon rate and any related index	6% fixed interest rate	8% fixed interest rate	5 years maturity "Indicator Government Debt Security" +350 basis points	12.62 % fixed interest rate	5.076 % fixed interest rate	TLREF + 150 basis points
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
	Convertible or non-convertible					
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil	Nil
	Write-down feature					
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. BRSA regulation on bank's shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity.	Available. BRSA regulation on bank's shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent write down feature.	Has permanent or temporary write down feature.	Has permanent or temporary write down feature.	Has permanent write down feature.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism	Has no write-up mechanism	Has write-up mechanism.	Has write-up mechanism.	Has no write-up mechanism
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7	Possess Article 8
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7	Not Possess Article 7

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - December 31, 2020						
Issuer	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFBA0043	XS1984644812	TRSVKFB92925
Governing law(s) of the instrument	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communiqué numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Regulatory treatment						
Subject to 10% deduction as of 1/1/2015	Subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group/group&solo	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	325	1,696	525	4,994	6,403	725
Par value of instrument (in million)	4,644	1,696	525	4,994	6,403	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011-Subordinated Liabilities
Original date of issuance	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Prior Period - December 31, 2020		Coupons / dividends				
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate / Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in a year	Floating interest rate / Interest payment once in three months, principal payment at the maturity date
Coupon rate and any related index	6% fixed interest rate	8% fixed interest rate	5 years maturity "Indicator Government Debt Security" +350 basis points	12.62 % fixed interest rate	5.076 % fixed interest rate	TLREF + 150 basis points
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible						
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil	Nil
Write-down feature						
If write-down, write-down trigger(s)	Not available.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.	Available. BRSA regulation on bank's shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity.	Available. BRSA regulation on bank's shareholder equity and the matters referred to in Article 7 of Communiqué on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity.	Available. Revoking the business activity of Bank according to 71 clause of 5411 numbered Banking Law or liquidation proceedings to Savings Deposit Insurance Fund are the triggering events.
If write-down, full or partial	Not available.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.	Has full or partial write down feature.
If write-down, permanent or temporary	Not available.	Has permanent write down feature.	Has permanent write down feature.	Has permanent or temporary write down feature.	Has permanent or temporary write down feature.	Has permanent write down feature.
If temporary write-down, description of write-up mechanism	Not available.	Has no write-up mechanism	Has no write-up mechanism	Has write-up mechanism.	Has write-up mechanism.	Has no write-up mechanism
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7	Possess Article 8
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7	Not Possess Article 7

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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 June 30, 2021	Prior Period December 31, 2020
Shareholders' equity	48,904,122	47,152,087
Valuation differences of the marketable securities ^(*)	31,139	35,815
Leasehold improvements on operational leases	(189,705)	(187,151)
Goodwill and intangible assets	(292,147)	(270,836)
General provision (1.25% of the amount that subject to credit risk) ^(*)	5,370,949	4,791,107
Subordinated debt	15,588,322	14,668,434
Deductions from shareholders' equity	(11,107)	(11,112)
Capital	69,401,573	66,178,344

(*) In accordance with the BRSA regulation dated April 16, 2020, and numbered 8999, 0% risk weight was used in the calculation of the amount subject to credit risk for the receivables of the banks from the CBRT and in FX.

(**) In accordance with the BRSA regulation dated December 8, 2020, and numbered 9312, in calculating the capital adequacy ratio, the equity amount calculated without taking into consideration the negative valuation differences of the securities in the "Fair Value of Financial Assets Through Other Comprehensive Income" portfolio, which was obtained before this date, was used.

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 June 30, 2021 and December 31, 2020, the Group does not have derivative financial instruments held for risk management.

Foreign exchange risk management policy

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

Sensitivity analysis regarding the currency risk that the Parent Bank is exposed to is explained in the related section II.

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	8.6800	10.29465
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	8.7298	10.3804
Day 2	8.6994	10.3835
Day 3	8.7260	10.4429
Day 4	8.6957	10.3845
Day 5	8.6393	10.3294
Last 30-days arithmetical average rate	8.5748	10.3694

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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- June 30, 2021	Euro	US Dollar	Other FC	Total
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	24,141,782	27,931,420	5,527,586	57,600,788
Banks	1,878,669	10,981,192	661,341	13,521,202
Financial assets at fair value through profit or loss	-	200,291	10,837,387 ⁽⁷⁾	11,037,678
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	15,997,643	43,505,964	-	59,503,607
Loans ^{(1) (2)}	81,334,223	70,880,323	252,428	152,466,974
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	8,315,349	7,350,098	-	15,665,447
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,028	15,282	-	16,310
Intangible assets	356	-	-	356
Other assets ⁽³⁾	1,717,089	1,471,380	4,417	3,192,886
Total assets	133,386,142	162,335,950	17,283,159	313,005,251
<i>Liabilities:</i>				
Bank deposits	5,085,779	3,482,038	495,796	9,063,613
Foreign currency deposits	70,888,538	114,442,213	21,313,724	206,644,475
Interbank money market takings	13,870,728	9,151,122	-	23,021,850
Other funding	30,059,348	32,178,197	191,424	62,428,969
Securities issued ⁽⁴⁾	7,274,402	40,549,412	210,525	48,034,339
Miscellaneous payables	2,699,004	579,558	455	3,279,017
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities ⁽⁵⁾	771,260	3,875,743	20,742	4,667,745
Total liabilities	130,649,059	204,258,283	22,232,666	357,140,008
Net 'on balance sheet' position	2,737,083	(41,922,333)	(4,949,507)	(44,134,757)
Net 'off-balance sheet' position	(299,661)	42,684,461	4,930,272	47,315,072
Derivative assets ⁽⁵⁾	2,646,788	50,006,310	7,468,274	60,121,372
Derivative liabilities ⁽⁵⁾	2,946,449	7,321,849	2,538,002	12,806,300
Non-cash loans ⁽⁶⁾	33,349,029	42,979,460	1,532,562	77,861,051
Prior Period - December 31, 2020	Euro	US Dollar	Other FC	Total
Total assets	137,641,677	142,959,881	16,733,569	297,335,127
Total liabilities	125,108,632	180,127,591	22,505,131	327,741,354
Net 'on balance sheet' position	12,533,045	(37,167,710)	(5,771,562)	(30,406,227)
Net 'off-balance sheet' position	(10,700,743)	37,289,924	5,788,929	32,378,110
Derivative assets ⁽⁵⁾	10,739,105	42,735,050	6,909,282	60,383,437
Derivative liabilities ⁽⁵⁾	21,439,848	5,445,126	1,120,353	28,005,327
Non-cash loans ⁽⁶⁾	26,268,248	31,104,665	1,174,345	58,547,258

⁽¹⁾ Foreign currency indexed loans amounting to TL 463,240 (December 31, 2020: TL 538,028) 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 245,921 (December 31, 2020: TL 284,716) presented in TL column in the accompanying consolidated balance sheet are included.

⁽³⁾ Other Derivative Financial Instruments Currency Income Costs TL 149,589 (December 31, 2020: TL 53,691), Prepaid Expenses TL 222,116 (December 31, 2020: TL 179,634), 1st and 2nd stage expected loss provisions (24,762) (December 31, 2020: (24,493)), and derivative financial instruments currency expense accruals of TL 91,704 (December 31, 2020: TL 28,593), deferred tax liabilities TL 63,407 (December 31, 2020: TL 57,525), unearned income TL 182,217 (December 31, 2020: TL 218,352) and shareholders' equity TL 1,930,594 (December 31, 2020: TL 1,743,740) are not taken into consideration in the currency risk calculation.

⁽⁴⁾ Subordinated loans are shown under securities issued.

⁽⁵⁾ Asset purchase commitments amounting to TL 1,448,563 (December 31, 2020: TL 468,092) and asset sales commitments amounting to TL 2,146,322 (December 31, 2020: TL 5,679,004) are included.

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

⁽⁷⁾ The amount in other FX consists of gold-based bonds.

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

II. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)

Exposure to currency risk

10% depreciation of the TL against the following currencies as at and for the six-month period ended June 30, 2021 and June 30, 2020 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- June 30, 2021		Prior Period- June 30, 2020	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	74,685	74,685	(1,365,223)	(1,365,223)
Euro	243,604	408,212	159,385	278,327
Other currencies	(1,924)	(1,924)	3,351	3,351
Total, net ^(**)	316,365	480,973	(1,202,487)	(1,083,545)

^(*) 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 fixed assets are not included in the currency risk effect calculations on equity and profit or loss.

10% appreciation of the TL against the following currencies as at and for the six-month period ended June 30, 2021 and June 30, 2020 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- June 30, 2021		Prior Period- June 30, 2020	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(74,685)	(74,685)	1,365,223	1,365,223
Euro	(243,604)	(408,212)	(159,385)	(278,327)
Other currencies	1,924	1,924	(3,351)	(3,351)
Total, net ^(**)	(316,365)	(480,973)	1,202,487	1,083,545

^(*) 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 currency risk effect calculations on profit or loss, but not in the currency risk effect calculations on equity. Tangible and intangible fixed assets are not included in the currency risk effect calculations on equity and profit or loss.

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

III. CONSOLIDATED INTEREST RATE RISK

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

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

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

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

Current Period- June 30, 2021	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	5,919,220	-	-	-	-	60,259,498	66,178,718
Banks	763,579	-	206,108	4	-	13,729,978	14,699,669
Financial assets at fair value through profit/loss	153,443	9,863	3,952,405	6,848,139	-	390,429	11,354,279
Interbank money market placements	11,032	-	-	-	-	-	11,032
Financial assets at fair value through other comprehensive income	23,637,710	3,057,425	12,508,675	54,012,476	4,304,606	19,425	97,540,317
Loans ⁽¹⁾	149,971,294	63,680,725	127,972,168	74,479,805	52,683,792	18,132,184	486,919,968
Financial assets measured at amortized cost	34,700,854	924,201	1,657,321	17,885,746	5,495,626	-	60,663,748
Other assets ⁽²⁾	2,370,543	3,929,951	374,761	451,971	1,741,525	(3,841,466)	5,027,285
Total assets	217,527,675	71,602,165	146,671,438	153,678,141	64,225,549	88,690,048	742,395,016
<i>Liabilities:</i>							
Bank deposits	10,790,959	5,100,068	289,982	-	-	1,535,676	17,716,685
Other deposits	232,205,029	74,926,831	16,584,012	1,840,452	62,023	92,045,275	417,663,622
Interbank money market takings	79,620,704	2,221,870	4,037,871	12,293,088	-	-	98,173,533
Miscellaneous payables	-	-	-	-	-	15,239,799	15,239,799
Securities issued ⁽³⁾	2,594,965	2,859,754	13,856,752	41,693,617	5,211,691	-	66,216,779
Funds borrowed	2,686,326	38,948,913	11,105,271	5,365,464	4,590,909	1,883,824	64,580,707
Other liabilities ⁽⁴⁾	680,563	3,019,699	161,081	273,142	1,880,678	56,788,728	62,803,891
Total liabilities	328,578,546	127,077,135	46,034,969	61,465,763	11,745,301	167,493,302	742,395,016
On balance sheet long position	-	-	100,636,469	92,212,378	52,480,248	-	245,329,095
On balance sheet short position	(111,050,871)	(55,474,970)	-	-	-	(78,803,254)	(245,329,095)
Off-balance sheet long position	6,147,800	8,938,763	-	-	-	-	15,086,563
Off-balance sheet short position	-	-	(768,723)	(762,050)	(3,416,759)	-	(4,947,532)
Net position	(104,903,071)	(46,536,207)	99,867,746	91,450,328	49,063,489	(78,803,254)	10,139,031

⁽¹⁾ Non-performing loans are shown in the "Non-Interest Bearing" column.

⁽²⁾ Subsidiaries, associates and tangible and intangible assets, deferred tax and expected credit losses are included in "non-interest bearing" column.

⁽³⁾ Subordinated debts are shown under securities issued.

⁽⁴⁾ Equity is included in "Non-Interest Bearing" column in other liabilities line.

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

III. CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period- December 31, 2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	12,125,735	-	-	-	-	81,081,507	93,207,242
Banks	58,004	864,828	-	-	-	2,169,348	3,092,180
Financial assets at fair value through profit/loss	3,038	2,990,006	1,930,131	2,190,923	-	344,183	7,458,281
Interbank money market placements	203,259	3,330	-	-	-	-	206,589
Available-for-sale financial assets	7,787,829	5,715,566	20,595,310	41,174,425	8,636,636	18,159	83,927,925
Loans ⁽¹⁾	144,392,490	74,156,428	92,857,180	72,375,326	48,163,181	17,930,171	449,874,776
Held-to-maturity investments	21,435,614	3,920,978	11,726,453	16,327,735	5,336,472	-	58,747,252
Other assets ⁽²⁾	1,119,830	3,162,424	3,377,619	199,622	1,935,742	5,781,035	15,576,272
Total assets	187,125,799	90,813,560	130,486,693	132,268,031	64,072,031	107,324,403	712,090,517
<i>Liabilities:</i>							
Bank deposits	16,980,113	4,416,355	-	-	-	1,636,729	23,033,197
Other deposits	227,148,438	70,354,742	16,543,171	1,454,494	58,501	78,929,339	394,488,685
Interbank money market takings	84,629,165	3,262,412	6,310,789	7,109,839	-	-	101,312,205
Miscellaneous payables	-	-	-	-	-	13,669,237	13,669,237
Securities issued ⁽³⁾	2,297,746	5,016,792	12,916,833	36,381,213	9,000,737	-	65,613,321
Funds borrowed	2,369,839	30,856,762	10,897,561	5,419,524	507,370	1,637,939	51,688,995
Other liabilities ⁽⁴⁾	1,155,079	2,250,577	3,199,591	119,308	1,883,337	53,676,985	62,284,877
Total liabilities	334,580,380	116,157,640	49,867,945	50,484,378	11,449,945	149,550,229	712,090,517
On balance sheet long position	-	-	80,618,748	81,783,653	52,622,086	-	215,024,487
On balance sheet short position	(147,454,581)	(25,344,080)	-	-	-	(42,225,826)	(215,024,487)
Off-balance sheet long position	3,114,500	8,115,216	-	-	-	-	11,229,716
Off-balance sheet short position	-	-	(2,342,817)	(815,150)	(1,813,464)	-	(4,971,431)
Net position	(144,340,081)	(17,228,864)	78,275,931	80,968,503	50,808,622	(42,225,826)	6,258,285

(1) Non-performing loans are shown in the "Non-Interest Bearing" column.

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

(3) Subordinated debts are shown under securities issued.

(4) Equity is included in "Non-Interest Bearing" column in other liabilities line.

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

III. CONSOLIDATED INTEREST RATE RISK (Continued)

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

Current Period- June 30, 2021	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	13.50
Banks	0.71	0.04	-	19.30
Financial assets at fair value through profit/loss	-	-	-	18.76
Interbank money market placements	-	-	-	19.17
Financial assets at fair value through other comprehensive income	3.20	3.52	-	13.43
Loans	4.84	5.92	-	14.58
Financial assets measured at amortized cost	4.60	6.35	-	10.12
<i>Liabilities:</i>				
Bank deposits	0.60	1.47	-	18.94
Other deposits	0.78	1.65	-	16.13
Interbank money market takings	1.02	1.95	-	18.98
Miscellaneous payables	-	-	-	-
Securities issued ^(**)	5.08	6.07	-	15.54
Funds borrowed	2.03	2.52	-	16.92
Prior Period - December 31, 2020	Euro	US Dollar	Yen	TL
	%	%	%	%
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	12.00
Banks	0.08	0.11	-	18.22
Financial assets at fair value through profit/loss	-	-	-	10.95
Interbank money market placements	-	-	-	17.70
Financial assets at fair value through other comprehensive income	3.43	3.61	-	12.38
Loans	5.02	6.16	-	13.07
Financial assets measured at amortized cost	4.60	6.27	-	10.57
<i>Liabilities:</i>				
Bank deposits	1.08	1.89	-	19.64
Other deposits	1.58	2.75	-	14.76
Interbank money market takings	1.25	1.88	-	17.08
Miscellaneous payables	-	-	-	-
Securities issued ^(**)	4.04	6.07	-	14.38
Funds borrowed	1.99	2.61	-	14.50

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

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

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

IV. CONSOLIDATED STOCK POSITION RISK

Stock position risks arising from banking book items

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

The accounting applications regarding to share investment that qualifications in a associate and at fair value through profit or loss, at fair value through other comprehensive income subsidiary of are disclosed in Section 3 Note VII.

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

Current Period- June 30, 2021	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	543,030	543,030	543,030
1.Stocks Investments Group A	543,025	543,025	543,025
2.Stock Investments Group B	5	5	5
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	1,753,205	1,753,205	-

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

Prior Period - December 31, 2020	Comparison		
Stock Investments	Carrying Value	Fair Value^(*)	Market Value^(*)
Stocks quoted in exchange^(*)	514,731	514,731	514,731
1.Stocks Investments Group A	514,550	514,550	514,550
2.Stock Investments Group B	181	181	181
3.Stock Investments Group C	-	-	-
Stocks unquoted in exchange^(**)	1,718,903	1,718,903	-

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

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:

	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Included in Supplementary Capital		Included in Supplementary Capital	
Portfolio-Current Period - June 30, 2021		Total ^(*)		Total ^(*)	
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	955,605	955,605	-	-
4. Total	-	955,605	955,605	-	-

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

	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Included in Supplementary Capital		Included in Supplementary Capital	
Portfolio-Prior Period - December 31, 2020		Total ^(*)		Total ^(*)	
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	1,086,781	1,086,781	-	-
4. Total	-	1,086,781	1,086,781	-	-

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

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IV. CONSOLIDATED STOCK POSITION RISK (Continued)

Explanations on Equity Shares Risk Arising from Banking Book

Portfolio-Current Period - June 30, 2021	Carrying Value	Total RWA^(*)	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	543,030	543,030	43,443
3.Other Stocks	1,753,205	1,729,129	138,330
4. Total	2,296,235	2,272,159	181,773

(*) In accordance with the BRSA regulation dated June 17, 2021 and numbered 9624, in the calculation of the amount subject to credit risks, simple arithmetic average of Central Bank's foreign currency buying rates belonging to the last 252 business days from the calculation date is taken into consideration.

Portfolio-Prior Period- December 31, 2020	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	514,731	513,604	41,088
3.Other Stocks	1,718,903	1,709,291	136,743
4. Total	2,233,634	2,222,895	177,831

(*) In accordance with the BRSA regulation dated December 8, 2021 and numbered 9312, in the calculation of the amount subject to credit risks, simple arithmetic average of Central Bank's foreign currency buying rates belonging to the last 252 business days from the calculation date is taken into consideration.

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

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

In addition to the structure specified regarding the liquidity risk management of the Group, there are also various systems and processes established by subsidiaries and affiliates. It is essential that the aforementioned systems and processes are designed in compliance with the generally accepted approaches regarding liquidity risk management and the legal regulations governing each subsidiary and affiliate. The established structures and regulations are expected to contribute to the liquidity risk management structure of the Parent Bank with all its partnerships, as well as the effective management of the liquidity risk of the subsidiaries and affiliates.

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

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

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

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

In line with the Covid-19 outbreak, which caused a serious slowdown in global and regional economic activities, liquidity adequacy is constantly monitored through stress tests and scenario analyses. It is observed that the impact of the Covid-19 outbreak on the Parent Bank's liquidity adequacy is limited.

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

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

In accordance with the "Regulation on the Calculation of the Liquidity Coverage Ratio of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948, the highest and lowest values of the Bank's Liquidity Coverage Ratio calculated weekly for the last three months and the weeks when these values were observed are given in the table below. In accordance with the related regulation, consolidated and non-consolidated total and foreign currency minimum liquidity coverage ratios are determined as one hundred percent and eighty percent, respectively.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	April 2021	117.91	April 2021	214.90
The highest value	May 2021	127.69	June 2021	352.60

Liquidity Coverage Ratio

Current Period- June 30, 2021		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			127,942,225	89,111,887
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	199,937,710	103,869,697	18,046,823	10,386,970
3	Stable deposits	38,938,960	-	1,946,948	-
4	Less stable deposits	160,998,750	103,869,697	16,099,875	10,386,970
5	Unsecured wholesale funding, of which:	210,856,756	100,858,214	87,621,653	44,088,488
6	Operational deposits	130,971,817	55,919,389	32,742,954	13,979,847
7	Non-operational deposits	61,756,466	37,067,679	36,898,920	22,350,243
8	Unsecured debt	18,128,473	7,871,146	17,979,779	7,758,398
9	Secured wholesale funding			-	-
10	Additional requirements of which:	32,494,195	12,188,614	32,494,194	12,188,615
11	Outflows related to derivative exposures and other collateral requirements	30,792,609	10,532,965	30,792,608	10,532,966
12	Outflows related to loss of funding on debt products	1,701,586	1,655,649	1,701,586	1,655,649
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	43,354,621	38,767,109	2,167,731	1,938,355
15	Other contingent funding obligations	124,825,169	34,589,181	10,142,963	2,654,171
16	TOTAL CASH OUTFLOWS			150,473,364	71,256,599
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	24,975,565	9,753,675	16,420,252	6,956,558
19	Other cash inflows	30,825,948	29,085,620	30,825,948	29,085,620
20	TOTAL CASH INFLOWS	55,801,513	38,839,295	47,246,200	36,042,178
				Upper Limit Applied Values	
21	TOTAL HQLA			127,942,225	89,111,887
22	TOTAL NET CASH OUTFLOWS			103,227,164	35,214,421
23	LIQUIDITY COVERAGE RATIO (%)			124.16	267.90

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

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

In accordance with the "Regulation on the Calculation of the Liquidity Coverage Ratio of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948, the highest and lowest values of the Bank's Liquidity Coverage Ratio calculated weekly for the last three months and the weeks when these values were observed are given in the table below. In accordance with the related regulation, consolidated and non-consolidated total and foreign currency minimum liquidity coverage ratios are determined as one hundred percent and eighty percent, respectively.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	November 2020	121.00	October 2020	232.42
The highest value	December 2020	127.06	December 2020	363.42

Liquidity Coverage Ratio

Prior Period- December 31, 2020		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	Total High Quality Liquid Assets (HQLA)			124,139,266	86,488,287
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	177,793,395	93,982,622	15,991,053	9,398,262
3	Stable deposits	35,765,722	-	1,788,286	-
4	Less stable deposits	142,027,673	93,982,622	14,202,767	9,398,262
5	Unsecured wholesale funding, of which:	219,427,897	88,274,025	89,170,218	35,593,402
6	Operational deposits	124,282,602	51,955,173	31,070,650	12,988,793
7	Non-operational deposits	79,063,650	30,500,132	42,133,982	16,851,778
8	Unsecured debt	16,081,645	5,818,720	15,965,586	5,752,831
9	Secured wholesale funding			-	-
10	Additional requirements of which:	20,433,625	8,840,396	20,433,624	8,840,397
11	Outflows related to derivative exposures and other collateral requirements	20,433,625	8,840,396	20,433,624	8,840,397
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	41,920,581	37,645,861	2,096,029	1,882,293
15	Other contingent funding obligations	107,318,888	28,513,474	8,906,811	2,150,667
16	TOTAL CASH OUTFLOWS			136,597,735	57,865,021
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	28,064,091	8,659,272	16,992,522	6,045,266
19	Other cash inflows	19,642,443	19,520,248	19,642,443	19,520,248
20	TOTAL CASH INFLOWS	47,706,534	28,179,520	36,634,965	25,565,514
Upper Limit Applied Values					
21	TOTAL HQLA			124,139,266	86,488,287
22	TOTAL NET CASH OUTFLOWS			99,962,770	32,299,507
23	LIQUIDITY COVERAGE RATIO (%)			124.27	278.08

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

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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 Ministry of Treasury and Finance of the Republic of Turkey.

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

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

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period – June 30, 2021	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed ⁽¹⁾	Total
Assets:								
Cash and balance with CBRT	66,178,718	-	-	-	-	-	-	66,178,718
Banks	13,729,978	763,579	-	206,108	4	-	-	14,699,669
Financial assets at fair value through profit/loss	20,655	153,443	9,863	3,952,405	6,848,139	-	369,774	11,354,279
Interbank money market placements	-	11,032	-	-	-	-	-	11,032
Financial assets at fair value through other comprehensive	-	6,175,663	873,319	7,285,248	67,651,176	15,535,486	19,425	97,540,317
Loans	-	37,587,746	18,827,144	75,795,097	211,820,992	124,756,805	18,132,184	486,919,968
Financial assets measured at amortized cost	-	554,946	593,525	1,176,082	36,216,490	22,122,705	-	60,663,748
Other assets ⁽³⁾	402,121	3,630,600	1,620,063	1,118,281	1,813,520	4,195,275	(7,752,575)	5,027,285
Total assets	80,331,472	48,877,009	21,923,914	89,533,221	324,350,321	166,610,271	10,768,808	742,395,016
Liabilities:								
Bank deposits	1,535,676	10,790,959	5,100,068	289,982	-	-	-	17,716,685
Other deposits	93,272,133	231,119,764	75,052,473	16,301,828	1,855,401	62,023	-	417,663,622
Funds borrowed	-	1,979,295	4,023,471	23,819,438	16,883,351	17,875,152	-	64,580,707
Interbank money market takings	-	78,313,519	830,344	3,716,084	14,835,146	478,440	-	98,173,533
Securities issued ⁽²⁾	-	2,165,484	2,003,865	11,258,590	40,817,737	9,971,103	-	66,216,779
Miscellaneous payables	11,208	8,811,648	35,294	1,037,441	116,351	-	5,227,857	15,239,799
Other liabilities	169,752	732,776	3,074,699	161,255	338,761	1,820,087	56,506,561	62,803,891
Total liabilities	94,988,769	333,913,445	90,120,214	56,584,618	74,846,747	30,206,805	61,734,418	742,395,016
Liquidity gap	(14,657,297)	(285,036,436)	(68,196,300)	32,948,603	249,503,574	136,403,466	(50,965,610)	-
Net Off Balance Sheet Position	-	621,491	(702,348)	968,912	1,949,448	4,127,771	-	6,965,274
Receivables from Derivative Financial Instruments	-	21,830,575	30,034,870	9,451,388	14,980,218	51,407,211	-	127,704,262
Payables from Derivative Financial Instruments	-	21,209,084	30,737,218	8,482,476	13,030,770	47,279,440	-	120,738,988
Non-cash Loans	50,052,565	6,305,912	12,551,061	34,296,799	19,761,704	3,204,148	175,952	126,348,141
Prior Period – December 31, 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed ⁽¹⁾	Total
Total assets	95,802,799	42,992,198	24,151,505	73,586,299	306,178,211	149,587,107	19,792,398	712,090,517
Total liabilities	81,773,050	340,994,057	86,429,577	59,239,118	59,021,427	26,675,223	57,958,065	712,090,517
Liquidity gap	14,029,749	(298,001,859)	(62,278,072)	14,347,181	247,156,784	122,911,884	(38,165,667)	-
Net Off Balance Sheet Position	808	(659,733)	305,798	821,162	1,407,502	1,798,650	-	3,674,187
Receivables from Derivative Financial Instruments	75,355	29,648,900	12,779,335	23,015,139	10,104,711	41,554,516	-	117,177,956
Payables from Derivative Financial Instruments	74,547	30,308,633	12,473,537	22,193,977	8,697,209	39,755,866	-	113,503,769
Non-cash Loans	47,324,566	4,613,173	8,968,987	20,835,395	18,312,108	2,183,360	238,613	102,476,202

⁽¹⁾ Subsidiaries, associates and tangible and intangible assets and deferred tax asset are stated in undistributed column.

⁽²⁾ Subordinated debt are shown under securities issued.

⁽³⁾ Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationery, pre-paid expenses and non-performing loans are shown in this column

⁽⁴⁾ Expected loss provisions for financial assets are shown under the undistributed column of Other Assets.

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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 %6.45. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2020: %6.82). The Regulation adjudicated minimum leverage rate as 3%.

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

	Current Period-	Prior Period-
Total asset amount in the consolidated financial statements prepared as per TAS ⁽¹⁾	712,313,146	551,130,944
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⁾	222,629	247,962
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⁾	(10,885,286)	(11,992,729)
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⁾	89,661,506	43,844,131
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⁾	81,676,710	74,689,025
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⁾	(343,722,492)	(258,558,222)
Total risk amount	929,605,757	843,665,168

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

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

Leverage ratio common disclosure template

	Current Period - June 30, 2021 (*)	Prior Period - December 31, 2020(*)
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	745,278,705	689,857,937
2. Assets deducted in determining Basel III Tier 1 capital	(475,479)	(456,602)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	744,803,226	689,401,335
Derivative exposures		
4. Replacement cost	9,139,521	10,505,184
5. Add-on amount	1,745,765	1,487,545
6. Total derivative exposures	10,885,286	11,992,729
Securities financing transaction exposures		
7. Gross SFT assets (with no recognition of accounting netting)	9,939,235	7,922,416
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	9,939,235	7,922,416
Other off-balance sheet exposures		
10. Off-balance sheet exposures with gross nominal amount	245,609,303	208,974,369
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(81,626,598)	(74,625,681)
12. Total off-balance sheet exposures	163,982,705	134,348,688
Capital and total exposures		
13. Tier 1 capital	59,948,276	57,536,426
14. Total exposures	929,610,452	843,665,168
Leverage ratio		
15. Leverage ratio	6.45	6.82

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

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

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

VII. CONSOLIDATED SEGMENT REPORTING

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

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

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

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

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

VII. CONSOLIDATED SEGMENT REPORTING (Continued)

Major financial statement items according to business lines:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	6,435,388	14,100,194	10,665,469	11,516	31,212,567
Interest Expense	6,006,535	8,838,955	10,083,989	66,620	24,996,099
Net Interest Income/Losses(Net)	428,853	5,261,239	581,480	(55,104)	6,216,468
Net Fees and Commissions Income	463,204	1,071,504	177,552	-	1,712,260
Trading Income/ Losses (Net)	-	-	22,788	-	22,788
Dividend Income	-	-	(1,875,791)	-	(1,875,791)
Other Income	-	-	-	5,270,937	5,270,937
Expected Credit Loss and Other Provision Expenses	-	-	-	4,919,209	4,919,209
Other Expenses	-	-	-	4,381,449	4,381,449
Based on Equity Method	-	-	41,159	-	41,159
Profit Before Taxes	892,057	6,332,743	(1,052,812)	(4,084,825)	2,087,163
Provision for taxes	-	-	-	-	(332,523)
Net Profit/ Loss					1,754,640
Segment Assets	114,529,791	276,936,472	325,548,938	23,473,884	740,489,085
Subsidiaries and Associates (Net)	-	-	1,905,931	-	1,905,931
TOTAL ASSETS	114,529,791	276,936,472	327,454,869	23,473,884	742,395,016
Segment Liabilities	188,389,624	233,140,459	246,203,887	25,756,924	693,490,894
Equity	-	-	-	48,904,122	48,904,122
TOTAL LIABILITIES	188,389,624	233,140,459	246,203,887	74,661,046	742,395,016
Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
OPERATING INCOME/ EXPENSES					
Interest Income	4,448,680	10,422,800	6,640,396	12,014	21,523,890
Interest Expense	2,760,539	3,323,556	4,802,176	13,925	10,900,196
Net Interest Income/Losses(Net)	1,688,141	7,099,244	1,838,220	(1,911)	10,623,694
Net Fees and Commissions Income	338,426	1,108,291	158,196	-	1,604,913
Trading Income/ Losses (Net)	-	-	17,287	-	17,287
Dividend Income	-	-	(766,656)	-	(766,656)
Other Income	-	-	-	5,295,242	5,295,242
Expected Credit Loss and Other Provision Expenses	-	-	-	6,446,461	6,446,461
Other Expenses	-	-	-	5,092,425	5,092,425
Based on Equity Method	-	-	27,957	-	27,957
Profit Before Taxes	2,026,567	8,207,535	1,275,004	(6,245,555)	5,263,551
Provision for taxes	-	-	-	-	(1,040,084)
Net Profit/ Loss					4,223,467
Segment Assets	109,522,550	258,141,374	321,544,217	20,998,548	710,206,689
Subsidiaries and Associates (Net)	-	-	1,883,828	-	1,883,828
TOTAL ASSETS	109,522,550	258,141,374	323,428,045	20,998,548	712,090,517
Segment Liabilities	159,193,919	238,791,161	245,217,084	21,736,266	664,938,430
Equity	-	-	-	47,152,087	47,152,087
TOTAL LIABILITIES	159,193,919	238,791,161	245,217,084	68,888,353	712,090,517

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

VIII. INFORMATION ON RISK MANAGEMENT

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

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

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

Risk weighted amounts

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period- June 30, 2021	Prior Period - December 31, 2020	Current Period- June 30, 2021
1 Credit Risk (excluding counterparty credit risk) ^(*)	417,348,129	371,215,705	33,387,850
2 Standardised approach	417,348,129	371,215,705	33,387,850
3 Internal rating based approach	-	-	-
4 Counterparty Credit Risk	12,327,758	12,072,413	986,221
5 Standardised approach for counterparty credit risk	12,327,758	12,072,413	986,221
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	-	411	-
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	4,445,049	3,427,699	355,604
17 Standardised approach	4,445,049	3,427,699	355,604
18 Internal model approaches	-	-	-
19 Operational Risk	32,231,733	25,510,114	2,578,539
20 Basic Indicator Approach	32,231,733	25,510,114	2,578,539
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)	466,352,669	412,226,342	37,308,214

^(*) Amounts below the equity deduction thresholds and investments in KYK are excluded.

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

1. Credit Risk Explanations

Credit Quality of Assets

Current Period- June 30, 2021	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	18,132,184	468,787,784	22,155,055	464,764,913
2 Debt Securities	-	158,252,275	536,853	157,715,422
3 Off-balance sheet exposure	411,386	196,126,355	34,714	196,503,027
4 Total	18,543,570	823,166,414	22,726,622	818,983,362

Prior Period – December 31, 2020	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	17,930,171	431,944,605	22,145,495	427,729,281
2 Debt Securities	-	142,946,444	394,496	142,551,948
3 Off-balance sheet exposure	473,440	167,832,215	43,756	168,261,899
4 Total	18,403,611	742,723,264	22,583,747	738,543,128

Changes in Stock of Defaulted Loans and Debt Securities^(*)

	Current Period- June 30, 2021	Prior Period- December 31, 2020
1 Defaulted Loans and debt securities at end of the previous reporting period	17,930,171	17,712,516
2 Loans and debt securities that have defaulted since the last reporting period	2,222,556	5,728,918
3 Returned to non-defaulted status	309,163	1,649,753
4 Amounts written-off	8,987	890,789
5 Other Changes	(1,702,393)	(2,970,721)
6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)	18,132,184	17,930,171

^(*) Indemnified non-cash loans of the firms which are followed under "Non-performing Loans" accounts are not included in the table.

a) Credit Risk Mitigation

Credit Risk Mitigation Techniques

Current Period - June 30, 2021	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	335,748,564	129,016,350	87,570,488	67,885,365	55,394,313	-	-
2 Debt Securities	157,715,422	-	-	-	-	-	-
3 Total	493,463,986	129,016,350	87,570,488	67,885,365	55,394,313	-	-
4 Of which Defaulted	18,132,184	-	-	-	-	-	-

Prior Period - December 31, 2020	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	311,871,007	115,858,274	81,963,062	79,598,658	51,794,733	-	-
2 Debt Securities	142,551,948	-	-	-	-	-	-
3 Total	454,422,955	115,858,274	81,963,062	79,598,658	51,794,733	-	-
4 Of which Defaulted	17,930,171	-	-	-	-	-	-

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

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

1. Credit Risk Explanations

Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

Current Period - June 30, 2021		Exposures before Credit Conversion Factors and CRM		Exposures post Credit Conversion Factors and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	248,003,119	775,368	260,523,413	443,291	879,858	0.34%
2	Exposures to regional governments or local authorities	8,222,082	496,171	8,222,082	241,047	4,221,287	49.88%
3	Exposures to public sector entities	368,128	241,033	368,128	100,013	459,760	98.21%
4	Exposures to multilateral development banks	-	2,024	-	2,024	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	16,386,142	5,316,192	16,386,142	3,634,265	6,230,168	31.12%
7	Exposures to corporates	211,809,131	155,228,695	199,288,837	65,411,204	258,254,899	97.57%
8	Retail exposures	102,450,867	56,643,717	102,450,867	6,824,214	81,079,216	74.20%
9	Exposures secured by residential property	42,279,322	1,730,237	42,279,322	707,328	15,045,327	35.00%
10	Exposures secured by commercial real estate	42,922,707	7,071,002	42,922,707	4,402,643	31,866,510	67.33%
11	Past-due loans	3,930,421	-	3,930,421	-	2,386,170	60.71%
12	Higher-risk categories by the Agency Board	80,338	7,603	80,338	4,270	126,911	150.00%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	19,852,325	-	19,852,325	-	14,525,864	73.17%
17	Investment in equities	2,272,159	-	2,272,159	-	2,272,159	100.00%
18	Total	698,576,741	227,512,042	698,576,741	81,770,299	417,348,129	53.48%

Prior Period-December 31, 2020		Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA
1	Exposures to central governments or central banks	269,936,999	706,727	281,941,074	418,309	639,176	0.23%
2	Exposures to regional governments or local authorities	9,399,917	435,493	9,399,917	211,087	4,801,102	49.95%
3	Exposures to public sector entities	381,163	236,428	381,163	113,956	486,093	98.18%
4	Exposures to multilateral development banks	29,475	9,335	29,475	9,335	29,475	75.95%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	16,322,150	4,421,162	16,322,150	2,987,057	8,020,154	41.54%
7	Exposures to corporates	185,070,563	134,079,024	173,066,488	53,056,933	222,253,564	98.29%
8	Retail exposures	92,367,803	49,011,543	92,367,803	5,537,565	72,656,890	74.21%
9	Exposures secured by residential property	38,640,398	1,547,589	38,640,398	617,967	13,740,428	35.00%
10	Exposures secured by commercial real estate	40,625,947	6,091,631	40,625,947	3,605,144	29,651,253	67.04%
11	Past-due loans	3,914,529	-	3,914,529	-	2,096,804	53.56%
12	Higher-risk categories by the Agency Board	195,994	6,229	195,994	4,941	301,403	150.00%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	411	-	411	-	411	100%
16	Other assets	18,901,264	-	18,901,264	-	14,316,468	75.74%
17	Investment in equities	2,222,895	-	2,222,895	-	2,222,895	100.00%
18	Total	678,009,508	196,545,161	678,009,508	66,562,294	371,216,116	49.86%

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period - June 30, 2021	Asset Classes/ Risk Weight	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	259,733,143	-	-	-	856,559	-	227,850	149,152	-	-	-	260,966,704
2	Exposures to regional governments or local authorities	20,418	-	226	-	8,442,485	-	-	-	-	-	-	8,463,129
3	Exposures to public sector entities	6,383	-	2,497	-	-	-	459,261	-	-	-	-	468,141
4	Exposures to multilateral development banks	2,024	-	-	-	-	-	-	-	-	-	-	2,024
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	670,424	-	13,157,735	-	5,187,254	-	1,004,994	-	-	-	-	20,020,407
7	Exposures to corporates	1,066,872	-	4,539,915	-	3,492,678	-	255,600,576	-	-	-	-	264,700,041
8	Retail exposures	634,092	-	730,047	-	-	107,910,942	-	-	-	-	-	109,275,081
9	Exposures secured by residential property	-	-	-	42,986,650	-	-	-	-	-	-	-	42,986,650
10	Exposures secured by commercial real estate	-	-	-	-	30,917,680	-	16,407,670	-	-	-	-	47,325,350
11	Past-due loans	-	-	-	-	3,129,606	-	759,712	41,103	-	-	-	3,930,421
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	84,608	-	-	-	84,608
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	-	2,272,159	-	-	-	-	2,272,159
17	Investments in equities	3,855,378	-	1,838,854	-	-	-	14,158,093	-	-	-	-	19,852,325
18	Total	265,988,734	-	20,269,274	42,986,650	52,026,262	107,910,942	290,890,315	274,863	-	-	-	780,347,040

Prior Period - December 31, 2020	Asset Classes/ Risk Weight	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	281,424,952	-	-	-	662,074	-	200,794	71,563	-	-	-	282,359,383
2	Exposures to regional governments or local authorities	8,677	-	206	-	9,602,121	-	-	-	-	-	-	9,611,004
3	Exposures to public sector entities	7,236	-	2,238	-	-	-	485,645	-	-	-	-	495,119
4	Exposures to multilateral development banks	9,335	-	-	-	-	-	29,475	-	-	-	-	38,810
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	678,057	-	5,271,244	-	12,787,993	-	571,913	-	-	-	-	19,309,207
7	Exposures to corporates	872,987	-	2,214,360	-	2,450,764	-	220,585,310	-	-	-	-	226,123,421
8	Retail exposures	489,471	-	736,426	-	-	96,679,471	-	-	-	-	-	97,905,368
9	Exposures secured by residential property	-	-	-	39,258,365	-	-	-	-	-	-	-	39,258,365
10	Exposures secured by commercial real estate	-	-	-	-	29,159,676	-	15,071,415	-	-	-	-	44,231,091
11	Past-due loans	-	-	-	-	3,643,888	-	262,204	8,437	-	-	-	3,914,529
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	200,935	-	-	-	200,935
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	411	-	-	-	-	411
16	Other assets	-	-	-	-	-	-	2,222,895	-	-	-	-	2,222,895
17	Investments in equities	3,184,810	-	1,749,983	-	-	-	13,966,471	-	-	-	-	18,901,264
18	Total	286,675,525	-	9,974,457	39,258,365	58,306,516	96,679,471	253,396,533	280,935	-	-	-	744,571,802

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

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

2. Counterparty Credit Risk Explanations

Counterparty credit risk (CCR) approach analysis

Current Period- June 30, 2021		Renewal cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	5,253,530	1,281,886			6,535,416	3,567,729
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method (for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					100,981,219	6,015,379
5	A comprehensive method for credit risk reduction-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					11,000	132
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	Total						9,583,240

Prior Period- December 31, 2020		Renewal cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	7,561,240	1,211,973			8,773,213	4,350,224
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method (for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					65,089,730	5,221,169
5	A comprehensive method for credit risk reduction-(for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					13,000	79
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	Total						9,571,472

Capital requirement for credit valuation adjustment (CVA)

Current Period - June 30, 2021		EAD post CRM	RWA
1	Total portfolios subject to the Advanced CVA capital obligation	-	-
2	(i) VaR component (including the 3×multiplier)		-
3	(ii) Stressed VaR component (including the 3×multiplier)		-
4	All portfolios subject to the Standardised CVA capital obligation	6,535,416	2,731,504
5	Total subject to the CVA capital obligation	6,535,416	2,731,504
Prior Period- December 31, 2020		EAD post CRM	RWA
1	Total portfolios subject to the Advanced CVA capital obligation	-	-
2	(i) VaR component (including the 3×multiplier)		-
3	(ii) Stressed VaR component (including the 3×multiplier)		-
4	All portfolios subject to the Standardised CVA capital obligation	8,773,213	2,487,815
5	Total subject to the CVA capital obligation	8,773,213	2,487,815

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VIII. INFORMATION ON RISK MANAGEMENT (Continued)

2. Counterparty Credit Risk Explanations (Continued)

Standard Approach - Counterparty Credit Risk (CCR) Exposures by Risk Classes and Risk Weights

Current Period - June 30, 2021

	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Diğer	Total Credit Exposures(*)
Risk Classes / Risk Weights										
Claims from central governments and central banks	68,703,771	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	2,235	10	-	-	-	-	-	-	226
Claims from administration and non commercial entity	-	238	-	-	-	-	-	-	-	24
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	10,069,960	-	10,622,518	-	10,509,790	-	196,400	-	346,798	7,582,735
Corporates	1,389,563	4,195,780	-	-	-	-	1,537,621	-	218,648	1,961,572
Retail portfolios	10,005	255,071	-	-	-	34,672	-	-	9,304	51,697
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total	80,173,299	4,453,324	10,622,528	-	10,509,790	34,672	1,734,021	-	574,750	9,596,254

(*) Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.

(**) Other assets: The amounts exclude exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

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

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

2. Counterparty Credit Risk Explanations (Continued)

Prior Period - December 31, 2020

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures ^(*)
Claims from central governments and central banks	29,048,434	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	690	1	-	-	-	-	-	-	69
Claims from administration and non commercial entity	-	1,943	-	-	-	-	1,756	-	-	1,950
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	12,119,902	-	19,277,040	-	6,463,645	-	473,980	-	360,620	7,568,423
Corporates	992,708	3,137,447	-	-	-	-	1,603,665	-	202,421	1,921,458
Retail portfolios	65,032	653,730	-	-	-	35,970	-	-	17,363	92,698
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets ^(**)	-	-	-	-	-	-	-	-	-	-
Total	42,226,076	3,793,810	19,277,041	-	6,463,645	35,970	2,079,401	-	580,404	9,584,598

^(*) Total credit exposure: The amount relevant for the capital requirements calculation, having applied CRM techniques.

^(**) Other assets: The amounts excludes exposures to Central Counterparty, which are reported in Counterparty Credit Risk.

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

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

2. Counterparty Credit Risk Explanations (Continued)

Collaterals for counterparty credit risk

Current Period – June 30, 2021	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	74,813,650	-
Cash-foreign currency	-	-	-	-	22,723,139	-
Domestic sovereign debts	-	-	-	-	11,006	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	97,547,795	-

Prior Period - December 31, 2020	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	35,649,667	-
Cash-foreign currency	-	-	-	-	21,250,710	-
Domestic sovereign debts	-	-	-	-	13,006	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	56,913,383	-

Loan Derivatives

Current Period - June 30, 2021	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	1,169,754	3,777,385
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	1,169,754	3,777,385
Fair Values		
Positive fair values (asset)	147,250	1,005,871
Negative fair values (liability)	-	1,005,871

Prior Period - December 31, 2020	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	1,169,754	3,017,124
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	1,169,754	3,017,124
Fair Values		
Positive fair values (asset)	125,557	634,601
Negative fair values (liability)	-	634,601

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

VIII. INFORMATION ON RISK MANAGEMENT (Continued)

2. Counterparty Credit Risk Explanations (Continued)

Central counterparty risks

Current Period - June 30, 2021		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		13,014
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	574,750	11,495
3	(i) OTC Derivatives	222,738	4,455
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	352,012	7,040
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	650,000	1,519
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Prior Period- December 31, 2020		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		13,126
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	580,404	11,608
3	(i) OTC Derivatives	189,143	3,783
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	391,261	7,825
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	650,000	1,518
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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 (Continued)

3. Explanations on Market Risk

Market Risk- Standardised approach

		Current Period - June 30, 2021	Prior Period - December 31, 2020
		RWA	RWA
Outright products			
1	Interest rate risk (general and specific)	1,135,625	1,400,825
2	Stock risk (general and specific)	41,308	26,508
3	Foreign exchange risk	3,220,833	1,977,590
4	Commodity risk	26,685	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	20,598	22,776
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	4,445,049	3,427,699

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SECTION FIVE

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. Information on cash and balances with the Central Bank

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Cash	1,777,710	1,446,909	1,681,211	1,434,732
Central Bank of the Republic of Turkey (*)	6,307,770	53,794,126	12,390,091	75,644,781
Other	492,450	2,359,753	591,188	1,465,239
Total	8,577,930	57,600,788	14,662,490	78,544,752

(*) TL 30,540,347 (December 31, 2020: TL 26,455,637) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from %3 to %8 (December 31, 2020: ranging from %1 to %6). For foreign currency liabilities, all banks shall provide a reserve rate ranging from %5 to %22 in US Dollar or Euro (December 31, 2020: ranging from %5 to %22).

Balances with the Central Bank of the Republic of Turkey

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Unrestricted demand deposits	5,773,002	23,253,779	12,069,426	36,135,248
Restricted demand deposits	308,672	-	259,120	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	13,053,896
Reserve Deposits	226,096	30,540,347	61,545	26,455,637
Total	6,307,770	53,794,126	12,390,091	75,644,781

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Information on financial assets at fair value through profit or loss, subject to repurchase agreements and given as collateral/blocked

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Collateralized/blocked investment securities	9,399,810	-
Investments subject to repurchase agreements	-	7,000,000
Total	9,399,810	7,000,000

Positive differences on derivative financial assets held for trading purpose

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Forward transactions	195,154	1,222	50,686	9,940
Swap transactions	5,654,862	1,425,076	7,086,102	1,591,494
Futures	-	-	-	-
Options	601	67,158	1,420	1,343
Other	-	-	-	-
Total	5,850,617	1,493,456	7,138,208	1,602,777

The Parent Bank has performed cross currency and interest rate swap transactions that can be canceled. Thus, swap transactions, in the event of certain conditions related to the loan (such as not making a payment) regarding the Bank, may be terminated by not realizing the amount to be paid and paid by any party according to the contract. As of 30 June 2021, the fair value of this transaction is TL 444,034, with a nominal amount of 120 million USD and an average maturity of 3.04 years. (As of 31 December 2020, the fair value of this transaction was TL 247,734 with a nominal amount of 120 million USD, and an average maturity of 4.6 years.)

3. Information on banks

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Banks				
Domestic	58,117	207,764	58,996	2,525
Foreign	1,120,350	13,313,438	1	3,030,658
Foreign Head Offices and Branches	-	-	-	-
Total	1,178,467	13,521,202	58,997	3,033,183

(*) As a result of the changes in the Uniform Chart of Accounts implemented by the BRSA as of January 1, 2021, the guarantees given for the derivative transactions of the Bank with foreign banks, which were followed in the other assets account in the balance sheet of the Parent Bank in the previous periods, started to be followed in the banks account. As of June 30, 2021, the relevant amount is TL 9,411,133.

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 - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	4,942,220	6,703,422	4,241,350	34,972,671
Other	-	-	-	-
Total	4,942,220	6,703,422	4,241,350	34,972,671

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Government bonds	10,342,140	23,022,455	13,031,822	3,901,929
Treasury bills	-	-	-	-
Other debt securities	-	6,950,292	-	8,811,133
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	10,342,140	29,972,747	13,031,822	12,713,062

Information on financial assets at fair value through other comprehensive income

	Current Period- June 30, 2021	Prior Period- December 31, 2020
Debt securities	98,092,335	84,287,305
Quoted on a Stock Exchange	97,920,020	84,199,125
Unquoted	172,315	88,180
Equity securities	19,425	18,159
Quoted on a Stock Exchange	-	-
Unquoted	19,425	18,159
Provisions for impairment losses (-)	571,443	377,539
Total	97,540,317	83,927,925

5. Information on loans

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

	Current Period – June 30, 2021		Prior Period - December 31, 2020	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans provided to the shareholders	-	32,796	-	32,511
Legal entities	-	32,796	-	32,511
Real persons	-	-	-	-
Indirect loans provided to the shareholders	-	-	-	-
Loans provided to the employees	450,206	28	470,993	49
Total	450,206	32,824	470,993	32,560

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

Current Period - June 30, 2021

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
Cash Loans				
Non-specialized loans	423,398,772	20,079,488	3,159,378	14,710,766
Loans given to enterprises	150,209,756	10,361,776	2,287,204	14,024,965
Export loans	14,143,978	133,083	-	-
Import loans	-	-	-	-
Loans given to financial sector	4,671,957	2,380	-	313
Consumer loans	97,689,965	898,029	113,838	675,629
Credit cards	16,570,662	251,243	110,125	-
Other	140,112,454	8,432,977	648,211	9,859
Specialized lending	-	-	-	-
Other receivables	-	7,439,380	-	-
Total	423,398,772	27,518,868	3,159,378	14,710,766

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

All creditors, including the Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon A.Ş. (OTAŞ), the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi A.Ş., a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by LYY Telekomünikasyon AŞ as December 21, 2018. The Bank participated in LYY Telekomünikasyon AŞ with a 4.2559% share. At the Ordinary General Assembly Meeting of LYY dated September 23, 2019, it was decided that a portion of the loan would be converted to capital and added to the capital of LYY. In this context, the nominal value of the Bank's shares in LYY increased from TL 2 to TL 169,483. This amount is presented under "Financial assets at fair value through profit or loss" in the financial statements. As of June 30, 2021, the amount is TL 1,270,858 (December 31, 2020: TL 1,067,728) and the provision is TL 416,671. (December 31, 2020: TL 341,044).

Current Period - December 31, 2020

	Standard loans	Loans not Subject to Restructuring	Loans and other receivables under close monitoring	
			Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
Cash Loans				
Non-specialized loans	389,154,555	18,613,603	2,840,854	12,590,659
Loans given to enterprises	147,126,813	10,275,674	2,123,492	11,882,423
Export loans	12,139,158	154,374	-	-
Import loans	-	-	-	-
Loans given to financial sector	4,712,929	869	-	227
Consumer loans	94,967,658	464,968	113,847	672,576
Credit cards	14,393,403	177,385	66,585	-
Other	115,814,594	7,540,333	536,930	35,433
Specialized lending	-	-	-	-
Other receivables	-	8,744,934	-	-
Total	389,154,555	27,358,537	2,840,854	12,590,659

Current Period - June 30, 2021

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	2,579,757	-
Significant Increase in Credit Risk	-	5,435,761

Prior Period - December 31, 2020

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	3,179,240	-
Significant Increase in Credit Risk	-	5,248,355

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Current Period - June 30, 2021	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	1,210,777	90,803,005	92,013,782
Housing loans	7,825	43,290,713	43,298,538
Automobile loans	7,864	654,472	662,336
General purpose loans	1,195,088	46,857,820	48,052,908
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	4,571	4,571
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,428	2,428
Other	-	2,143	2,143
Retail credit cards – TL	12,300,967	117,562	12,418,529
With instalment	4,870,991	113,943	4,984,934
Without instalment	7,429,976	3,619	7,433,595
Retail credit cards – FC	24,683	-	24,683
With instalment	-	-	-
Without instalment	24,683	-	24,683
Personnel loans – TL	5,471	304,392	309,863
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	5,471	304,392	309,863
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	139,588	501	140,089
With instalment	50,888	457	51,345
Without instalment	88,700	44	88,744
Personnel credit cards – FC	254	-	254
With instalment	-	-	-
Without instalment	254	-	254
Overdraft Checking Accounts – TL (Real person)	7,048,790	-	7,048,790
Overdraft Checking Accounts – FC (Real person)	455	-	455
Total	20,730,985	91,230,031	111,961,016

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Prior Period - December 31, 2020	Short-Term	Medium and Long-Term	Total
Consumer loans – TL	1,167,352	89,104,078	90,271,430
Housing loans	3,209	40,609,960	40,613,169
Automobile loans	4,902	473,614	478,516
General purpose loans	1,159,241	48,020,504	49,179,745
Other	-	-	-
Consumer loans – FC indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
Consumer loans – FC	-	4,639	4,639
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,157	2,157
Other	-	2,482	2,482
Retail credit cards – TL	10,919,678	92,959	11,012,637
With instalment	4,430,552	89,060	4,519,612
Without instalment	6,489,126	3,899	6,493,025
Retail credit cards – FC	14,017	-	14,017
With instalment	-	-	-
Without instalment	14,017	-	14,017
Personnel loans – TL	9,505	334,082	343,587
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	9,505	334,082	343,587
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	126,608	592	127,200
With instalment	44,823	549	45,372
Without instalment	81,785	43	81,828
Personnel credit cards – FC	206	-	206
With instalment	-	-	-
Without instalment	206	-	206
Overdraft Checking Accounts – TL (Real person)	5,599,005	-	5,599,005
Overdraft Checking Accounts – FC (Real person)	388	-	388
Total	17,836,759	89,536,350	107,373,109

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Installment based commercial loans and corporate credit cards

Current Period - June 30, 2021	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,985,596	113,666,587	116,652,183
Real estate loans	5,720	1,230,990	1,236,710
Automobile loans	197,322	3,297,213	3,494,535
General purpose loans	2,782,554	109,138,384	111,920,938
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	368,221	368,221
Real estate loans	-	-	-
Automobile loans	-	4,921	4,921
General purpose loans	-	363,300	363,300
Other	-	-	-
Instalment-based commercial loans – FC	810,707	37,046,321	37,857,028
Real estate loans	-	-	-
Automobile loans	-	30,108	30,108
General purpose loans	399,346	32,906,597	33,305,943
Other	411,361	4,109,616	4,520,977
Corporate credit cards – TL	4,223,550	119,442	4,342,992
With instalment	1,415,928	108,348	1,524,276
Without instalment	2,807,622	11,094	2,818,716
Corporate credit cards – FC	5,483	-	5,483
With instalment	-	-	-
Without instalment	5,483	-	5,483
Overdraft Checking Accounts – TL (Corporate)	1,218,175	-	1,218,175
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	9,243,511	151,200,571	160,444,082

Prior Period - December 31, 2020	Short-Term	Medium and Long-Term	Total
Instalment-based commercial loans – TL	2,743,103	114,059,373	116,802,476
Real estate loans	2,779	1,178,097	1,180,876
Automobile loans	137,470	2,635,208	2,772,678
General purpose loans	2,602,854	110,246,068	112,848,922
Other	-	-	-
Instalment-based commercial loans – FC indexed	-	453,243	453,243
Real estate loans	-	-	-
Automobile loans	-	25,550	25,550
General purpose loans	-	427,693	427,693
Other	-	-	-
Instalment-based commercial loans – FC	738,273	31,408,388	32,146,661
Real estate loans	-	-	-
Automobile loans	-	31,494	31,494
General purpose loans	249,088	27,131,872	27,380,960
Other	489,185	4,245,022	4,734,207
Corporate credit cards – TL	3,382,956	97,503	3,480,459
With instalment	1,194,567	89,774	1,284,341
Without instalment	2,188,389	7,729	2,196,118
Corporate credit cards – FC	2,854	-	2,854
With instalment	-	-	-
Without instalment	2,854	-	2,854
Overdraft Checking Accounts – TL (Corporate)	943,370	-	943,370
Overdraft Checking Accounts – FC (Corporate)	-	-	-
Total	7,810,556	146,018,507	153,829,063

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Allocation of domestic and overseas loans^(*)

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Domestic loans	463,959,376	426,987,986
Foreign loans	4,828,408	4,956,619
Total	468,787,784	431,944,605

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

Loans to associates and subsidiaries

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Direct loans to associates and subsidiaries	37,416	33
Indirect loans to associates and subsidiaries	-	-
Total	37,416	33

Specific provisions accounted for loans (Stage 3)

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Loans and receivables with limited collectability	91,603	321,431
Loans and receivables with doubtful collectability	918,394	1,356,977
Uncollectible loans and receivables	13,129,540	12,039,492
Total	14,139,537	13,717,900

Information on non-performing loans (Net)

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

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current period - June 30, 2021			
Gross Amounts Before The Reserves	45,657	308,123	1,090,782
Loans Which Are Restructured	45,657	308,123	1,090,782
Prior period - December 31, 2020			
Gross Amounts Before The Reserves	39,537	275,228	1,001,815
Loans Which Are Restructured	39,537	275,228	1,001,815

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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 - June 30, 2021			
Balance at the beginning of the period	520,617	2,403,646	15,005,908
Additions (+)	1,907,121	127,906	187,529
Transfers from other categories of loans under follow-up (+)	-	2,194,865	2,330,577
Transfers to other categories of loans under follow-up (-) ^(*)	2,194,865	2,330,577	-
Collections (-)	81,862	393,116	1,536,578
Write-offs (-) ^(**)	-	-	8,987
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	-	-
Balance at the end of the period	151,011	2,002,724	15,978,449
Provision (-)	91,603	918,394	13,129,540
Net balance	59,408	1,084,330	2,848,909

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

^(**) In the current period, in accordance with the amendment to the Provisions Regulation published by the BRSA in the Official Gazette dated November 27, 2019 and numbered 30961, the Bank corresponds to TL 8,987 of non-performing loans, which are followed in the fifth group, which have no collateral, have no reasonable expectations for recovery, and for which 100% provision has been made. The amount of loans and the provisions set aside for them have been deducted from the records. In the current period, the NPL conversion rate is 3.66% before the write-off, and the effect of 8,987 TL on the NPL ratio is insignificant.

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Prior Period - December 31, 2020			
Balance at the beginning of the period	3,203,134	3,492,946	11,016,436
Additions (+)	4,370,625	111,790	1,246,503
Transfers from other categories of loans under follow-up (+)	-	6,703,801	5,806,870
Transfers to other categories of loans under follow-up (-) ^(*)	6,728,960	5,781,711	-
Collections (-)	325,778	2,124,350	2,170,346
Write-offs (-)	-	-	890,789
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	1,596	1,170	(2,766)
Balance at the end of the period	520,617	2,403,646	15,005,908
Provision (-)	321,431	1,356,977	12,039,492
Net balance	199,186	1,046,669	2,966,416

^(*) 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.

^(**) As of 31 December 2020, the Bank has written-off loans and provisions for these loans, which were classified in the "Group V Loans" (Loans Classified as Loss) amounting to TL 890,789 unsecured, do not have reasonable expectations for recovery and with 100% provision, in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA. Following the written-off loans, the Bank's non-performing loan ratio decreased from 4.16% to 3.97%.

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 CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - June 30, 2021			
Balance at the end of the period	29,757	393,740	5,698,928
Provision (-)	20,036	272,664	4,413,611
Net balance on balance sheet	9,721	121,076	1,285,317
Prior Period - December 31, 2020			
Balance at the end of the period	270,909	1,355,575	3,522,337
Specific provision (-)	169,017	736,070	2,754,282
Net balance on balance sheet	101,892	619,505	768,055

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

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

	Group III	Group IV	Group V
	Loans With Limited Collectability	Loans With Doubtful Collectability	Uncollectible Loans
Current Period - June 30, 2021			
Current Period (Net)	59,408	1,084,330	2,848,909
Consumer and Commercial Loans (Gross)	151,005	2,001,554	15,953,274
Specific Provision (-)	91,598	917,228	13,104,387
Consumer and Commercial Loans (Net)	59,407	1,084,326	2,848,887
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	6	1,170	25,175
Specific Provision (-)	5	1,166	25,153
Other Loans and Receivables (Net)	1	4	22

	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, 2020			
Prior Period (Net)	199,186	1,046,669	2,966,416
Consumer and Commercial Loans (Gross)	519,481	2,402,239	14,982,098
Specific Provision (-)	320,297	1,355,573	12,015,700
Consumer and Commercial Loans (Net)	199,184	1,046,666	2,966,398
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	1,136	1,407	23,810
Specific Provision (-)	1,134	1,404	23,792
Other Loans and Receivables (Net)	2	3	18

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans by banks allocating expected credit losses according to TFRS 9 and their provisions.

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
Current Period (Net) - June 30, 2021	6,003	82,987	397,843
Interest accruals and valuation differences	16,590	177,236	1,706,056
Provision (-)	10,587	94,249	1,308,213
Prior Period (Net) - December 31, 2020	10,442	84,433	658,148
Interest accruals and valuation differences	25,935	201,036	1,786,371
Provision (-)	15,493	116,603	1,128,223

6. Information on financial assets measured at amortized cost

Information on measured at amortized cost government debt securities

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Government bonds	44,939,350	8,751,694	44,159,655	7,895,261
Treasury bills	-	-	-	-
Other securities issued by the governments	-	6,696,759	-	6,447,138
Total	44,939,350	15,448,453	44,159,655	14,342,399

Information on financial assets measured at amortized cost

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Debt Securities	60,663,748	58,747,252
Quoted at stock exchanges	60,490,140	58,598,242
Unquoted at stock exchanges	173,608	149,010
Impairment losses (-)	-	-
Total	60,663,748	58,747,252

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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 financial assets measured at amortised cost

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Balances at the beginning of the period	58,747,252	47,014,633
Foreign currency differences on monetary assets	1,883,408	3,415,268
Purchases during the period	-	10,980,105
Disposals through sales/redemptions	(1,996,426)	(5,718,504)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	2,029,514	3,055,750
Balances at the end of the period	60,663,748	58,747,252

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

Information on accounts related to financial assets measured at amortized cost

	Cost		Carrying Value	
Current Period - June 30, 2021	TL	FC	TL	FC
Collateralized/blocked investment securities	1,931,513	4,072,247	2,530,057	4,229,121
Investments subject to repurchase agreements	29,074,544	9,638,740	39,610,844	10,085,086
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	2,228,830	1,109,110	2,857,400	1,351,240
Total	33,234,887	14,820,097	44,998,301	15,665,447

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

	Cost		Carrying Value	
Prior Period - December 31, 2020	TL	FC	TL	FC
Collateralized/blocked investment securities	5,025,295	4,255,426	7,421,128	4,522,402
Investments subject to repurchase agreements	23,856,260	9,231,311	28,591,836	9,566,589
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	5,366,141	433,569	8,205,641	439,656
Total	34,247,696	13,920,306	44,218,605	14,528,647

(*) 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 CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Investments in associates

Unconsolidated investments in associates

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Roketsan Roket Sanayi ve Ticaret AŞ ^(*)	Ankara/ Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ ^(*)	İstanbul/ Turkey	4.75	4.75
3 KKB Kredi Kayıt Bürosu AŞ ^(*)	İstanbul/ Turkey	9.09	9.09
4 Güçbirliği Holding AŞ ^(*)	İzmir/ Turkey	0.07	0.07
5 İzmir Enternasyonal Otelcilik AŞ ^(**)	İstanbul/ Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ ^(*)	İstanbul/ Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ ^(*)	Ankara/ Turkey	1.49	1.49
8 Türkiye Ürün İhtisas Borsası AŞ ^(*)	Ankara/ Turkey	3.00	3.00
9 Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ ^(*)	İstanbul/ Turkey	33.33	33.33
10 JCR Avrasya Derecelendirme AŞ	İstanbul/ Turkey	2.86	2.86
11 Birleşik İpotek Finansmanı AŞ ^(*)	İstanbul/ Turkey	8.33	8.33
12 Platform Ortak Karlı Sistemler AŞ ^(**)	İstanbul/ Turkey	20.00	20.00
13 Tasfiye Halinde World Vakıf UBB Ltd. ^(***)	Lefkoşa/KKTC	83.00	83.59

^(*) The financial statement information provided for these associates is taken from the financial statements dated March 31, 2021.

^(**) The financial statement information provided for these associates is taken from the financial statements dated December 31, 2020.

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

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Period's Profit/Loss	Fair Value
1 9,849,024	2,861,801	1,383,622	16,327	-	292,841	94,406	8,414,000
2 317,815	262,940	90,033	7,428	-	27,999	8,961	-
3 469,637	306,989	289,126	3,880	4	14,770	11,740	-
4 148,558	(58,324)	88,101	1	-	36,355	(9,016)	-
5 84,165	(205,336)	78,368	7	-	(70,428)	(39,741)	-
6 30,083,382	2,563,744	162,431	157,210	33,266	217,507	110,027	-
7 1,028,588	819,619	16,760	15,881	-	38,643	23,122	-
8 98,125	83,206	14,467	3,409	-	7,393	1,079	-
9 200,854	158,746	18,298	4,464	-	2,768	63	-
10 62,840	54,500	28,329	1,061	-	27,158	(483)	-
11 51,161	51,200	416	2,217	-	1,002	-	-
12 4,851	4,763	51	-	-	(464)	(22)	-
13 1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

In the prior period, it has been decided to increase the paid-in capital of the Parent Bank's subsidiary, Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, from TL 26,000 to TL 145,000. For the part of TL 104,987 was funded through paid capital increase and the part of TL 14,013 was funded from internal resources. After the capital increase, the share which corresponds to the Parent Bank was TL 34,992.

In the prior period, it has been decided to increase the capital of Birleşik İpotek Finansmanı from TL 10,000 to TL 50,000. The share amounting to TL 3,333 corresponds to the share of the Parent Bank.

In the prior period, the difference amounting to TL 32 corresponds to the Parent Bank's share due to the corrections made in the JCR Avrasya Rating AŞ's paid in capital records.

In the prior period, at the Ordinary General Assembly of one of the Parent Bank's affiliates Bankalararası Kart Merkezi, it has been decided to increase firm's capital from TL 30,000 to TL 177,493, by funding TL 56,950 of it internally and for the part of TL 90,543 by increasing the pre-emptive rights of the existing shareholders. The bonus share amounting to TL 5,522 corresponds to the Parent Bank's share.

In the prior period, the Parent Bank's subsidiaries in Türkiye Ürün İhtisas Borsası AŞ's Ordinary General Meeting held on March 2, 2020, it was decided to reduce the company's paid-in capital from TL 100,000 to TL 50,000. The remaining capital debt in the current period has been paid.

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the prior period, Türkiye Varlık Fonu joined to Platform Ortak Kartlı Sistemler AŞ on February 12, 2020, as a new shareholder. Due to the transfer of TL 1,400 from the Parent Bank's nominal capital share of TL 7,000 to TVF, the nominal capital share of the Parent Bank has decreased to TL 5,600. In addition, a mounting to TL 350 share was sold of the Parent Bank's capital share.

In the prior period, PTT AS joined the Platform Ortak Kartlı Sistemler AŞ as a new shareholder on June 3, 2020. Nominal share of capital has decreased to TL 4,200 due to the transfer of the Parent Bank's nominal share part of TL 1,400 of TL 5,600 to PTT A.Ş. In addition, a mounting to TL 350 share was sold of the Parent Bank's capital share.

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

İstanbul Takas ve Saklama Bankası AŞ, Kredi Garanti Fonu AŞ and Birleşik İpotek Finansmanı 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 Sanayii ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonal Otelcilik AŞ, Platform Ortak Kartlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası AŞ, Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ and JCR Avrasya Derecelendirme AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted in the consolidated financial statements in accordance with TFRS 9.

Consolidated investments in associates

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

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1 1,796,744	117,251	9,280	79,005	1,989	6,708	6,123	-
2 61,168,974	6,468,832	1,358,060	1,573,054	421,745	479,291	322,757	3,550,400

Movement of consolidated investments in associates

	Current Period – June 30, 2021	Prior Period - December 31, 2020
Balance at the beginning of the period	428,622	297,263
Movements during the period	(120,569)	131,359
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	-
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	-	131,359
Impairment losses	(120,569)	-
Balance at the end of the period	308,053	428,622
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(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 - June 30, 2021	Prior Period - December 31, 2020
Banks	308,053	428,622
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
Total	308,053	428,622

Quoted associates

	Current Period – June 30, 2021	Prior Period – December 31, 2020
Quoted at domestic stock exchanges	297,434	418,003
Quoted at international stock exchanges	-	-
Total	297,434	418,003

Investments in associates disposed during the period

In the current period, all of the 39.30% shares owned by the Parent Bank in Keskinöğlü Tavukçuluk ve Damız İşletmeleri Sanayi ve Ticaret AŞ, which was followed under the Subsidiaries Account in the Parent Bank's balance sheet, was transferred to T.C. Ziraat Bankası AŞ and the Parent Bank does not have any shares left in the company as of January 8, 2021.

Investments in associates acquired during the period

There are no affiliates purchased in the current period.

In the prior period, the Parent Bank became a shareholder of Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri Sanayi Ticaret AŞ on 3 September 2020 with a capital of TL 110,000. The Parent Bank's nominal share in the capital is TL 45,952 and share ratio is 41.77%.

In the prior period, the Parent Bank transferred 2.47% of its shares in Keskinöğlü Tavukçuluk ve Damız İşletmeleri Sanayi Ticaret AŞ, one of its subsidiaries, to the former shareholders upon the Board of Directors decision taken by the Company.

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

In the prior period, the Parent Bank has become a shareholder to Bileşim Alternatif Dağıtım Kanalları AŞ, with 33.33% share ratio, in 7 February 2020, by the share transfer agreement signed with the Türkiye Halk Bankası AŞ for the nominal shares of TL 8,666. The share amounting to TL 27,997 corresponds to the Parent Bank's share.

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

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IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Investments in subsidiaries

Information on significant subsidiaries

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Current Period - June 30, 2021						
Paid in Capital	311,248	200,000	150,000	350,000	1,000,000	30,000
Share Premium	-	12,964	75,187	-	322,717	121
Equity share premiums	-	-	-	-	301,118	28
Share cancellation profits	-	-	-	-	-	-
Other capital reserves	-	12,964	75,187	-	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	27,504	(628)	4,397	(170)	(19)
Other accumulated comprehensive income that will be reclassified in profit or loss	1,397,088	-	11,637	-	-	-
Profit Reserves	17,882	54,291	76,396	118,794	145,336	408
Legal Reserves	17,882	11,317	33,808	18,286	11,781	395
Statutory reserves	-	-	-	-	-	-
Extraordinary Reserves	-	42,974	42,588	100,508	133,008	13
Other Profit Reserves	-	-	-	-	547	-
Profit/Loss	139,872	47,355	117,738	37,504	57,811	(42)
<i>Prior Period's Profit/Loss</i>	100,665	1,455	4,081	(30,108)	6,752	(1,401)
<i>Current Period's Profit/Loss</i>	39,207	45,900	113,657	67,612	51,059	1,359
Minority Rights	-	-	-	-	-	-
Total Core Capital	1,866,090	342,114	430,330	510,695	1,525,694	30,468
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-
CAPITAL	1,866,090	342,114	430,330	510,695	1,525,694	30,468
NET AVAILABLE EQUITY	1,866,090	342,114	430,330	510,695	1,525,694	30,468

⁽⁹⁾ Financials that are based to consolidation as of June 30, 2021 are considered.

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

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

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

Prior Period - December 31, 2020	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Vakıf Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
Paid in Capital	311,248	200,000	100,000	250,000	460,000	30,000
Share Premium	-	9,044	137	-	300,577	121
Equity share premiums	-	-	-	-	278,978	28
Share cancellation profits	-	-	-	-	-	-
Other capital reserves	-	9,044	137	-	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	31,506	(628)	4,397	(13)	(40)
Other accumulated comprehensive income that will be reclassified in profit or loss	1,207,608	-	11,637	-	-	-
Profit Reserves	17,882	54,290	23,089	120,688	130,828	408
Legal Reserves	17,882	11,317	10,390	18,286	9,056	395
Statutory reserves	-	-	-	-	-	-
Extraordinary Reserves	-	42,973	12,699	102,402	121,225	13
Other Profit Reserves	-	-	-	-	547	-
Profit/Loss	100,665	1,455	281,938	67,998	61,260	(1,399)
Prior Period's Profit/Loss	42,062	(57,263)	124,550	(18,796)	10,351	(1,737)
Current Period's Profit/Loss	58,603	58,718	157,388	86,794	50,909	338
Minority Rights	-	-	-	-	-	-
Total Core Capital	1,637,403	296,295	416,173	443,083	952,652	29,090
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-
CAPITAL	1,637,403	296,295	416,173	443,083	952,652	29,090
NET AVAILABLE EQUITY	1,637,403	296,295	416,173	443,083	952,652	29,090

(*) Reviewed BRSA financial statements as of December 31, 2020 are considered.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Vakıf Yatırım Menkul Değerler AŞ, a subsidiary, measures the capital sufficiency status every six months as an independent audit, in line with the "Communiqué on the Principles of the Capital and Capital Adequacy of Intermediary Agencies" Serial: V, No:34 of the Capital Markets Board.

Unconsolidated investments in subsidiaries

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

(*) The financial statement information provided for these subsidiaries is taken from the financial statements as of March 31, 2021.

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	350,274	223,295	245,122	1,401	-	(4,196)	(1,695)	37,128
2	431,356	416,326	192,941	16,115	-	14,926	(154)	478,198
3	88,099	67,030	39,102	1,260	60	182	298	82,045
4	42,810	33,122	416	1,584	-	(2,287)	(1,421)	37,120

In the current period, it has been decided to increase the capital of Taksim Otelcilik AŞ from 334,257 TL to 350,000 TL. The bonus share amounting to 8,029 corresponds to the Parent Bank's share.

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

In the prior period, the Parent Bank has paid TL 678 for TL 400 nominal share of Vakıf Emeklilik ve Hayat AŞ, one of the partners of Vakıf Gayrimenkul Değerleme AŞ, on January 16, 2020.

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

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

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Investments in consolidated subsidiaries

Title	Address (City / Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Faktoring AŞ	İstanbul/Turkey	78.39	80.62
2 Vakıf Finansal Kiralama AŞ	İstanbul/Turkey	58.71	58.71
3 Vakıf Yatırım Menkul Değerler AŞ	İstanbul/Turkey	99.25	99.40
4 VakıfBank International AG	Vienna/Austria	100.00	100.00
5 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	İstanbul/Turkey	17.37	17.37
6 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul/Turkey	48.95	48.95

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1 4,150,072	529,552	4,897	364,863	-	56,361	51,614	565,140
2 4,419,781	400,628	28,376	153,468	-	45,551	40,351	2,100,000
3 1,439,555	430,329	58,335	142	8,998	113,657	79,115	496,972
4 8,892,292	1,708,586	1,415	88,883	-	30,996	24,931	1,052,576
5 30,821	30,472	179	1,248	1,503	1,357	(368)	197,430
6 3,518,020	2,019,406	1,566,910	69,917	-	52,947	35,744	1,461,000

Movement table of consolidated investments in subsidiaries in consolidated financial statements

	Current Period – June 30, 2021	Prior Period - December 31, 2020
Balance at the beginning of the period	3,272,862	1,477,248
Movements during the period	698,440	1,795,614
Transfers	-	-
Acquisitions	280,066	207,560
Bonus shares received	146,304	102,205
Share of current year profit	-	-
Sales and liquidations	-	-
Fair value changes	848,504	1,485,849
Impairment losses	(576,434)	-
Balance at the end of the period	3,971,302	3,272,862
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

In the current period, it has been decided to increase the capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 500,000 to TL 1,000,000 by an increase of TL 500,000. TL 280,066 worth of shares corresponding to the Parent Bank's share are shown under Purchases in the movement table for subsidiaries.

In the current period, it has been decided to increase the capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ from TL 460,000 to TL 500,000. Bonus shares amounting to TL 18,286 corresponding to the Parent Bank's share are shown in Bonus Shares in the movement table of subsidiaries.

In the current period, it has been decided to increase the capital of Vakıf Yatırım Menkul Değerler AŞ from 100,000 TL to 150,000 TL. Bonus shares amounting to TL 49,625 corresponding to the Parent Bank's share are shown in Bonus Shares in the movement table of subsidiaries.

In the current period, it has been decided to increase the capital of Vakıf Faktoring AŞ from TL 250,000 to TL 350,000. Bonus shares amounting to TL 78,393 corresponding to the Parent Bank's share are shown in Bonus Shares in the movement table of subsidiaries.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In the prior period, it has been decided to increase the capital of Vakıf Faktoring AŞ from TL 170,000 to TL 250,000. The bonus shares amounting to TL 62,714 corresponding to the share of the Parent Bank are shown under Bonus Shares Received in the Movement Table of Investments in Subsidiaries.

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

In the prior period, it has been decided to increase the capital of Vakıf Yatırım Menkul Değerler AŞ from TL 75,000 to TL 100,000. Bonus shares amounting to TL 24,813 corresponding to the share of the Parent Bank are shown under Bonus Shares Received in the Movement Table of Investments in Subsidiaries.

In the prior period, it has been decided to increase the capital of Vakıf Finansal Kiralama AŞ from TL 175,000 to TL 200,000. Bonus shares amounting to TL 14,678 corresponding to the share of the Parent Bank are included under Bonus Shares Received in the Movement Table of Investments in Subsidiaries.

In the prior period, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ's paid-in capital of TL 230,000, within the registered capital ceiling of TL 1,000,000, was increased by TL 230,000 to TL 460,000. The shares amounting to TL 148,741 corresponding to the Parent Bank's share are shown in the Acquisitions in the Movement Table of Investments in Subsidiaries.

In the current period, one of the Vakıfbank International AG partners, all of the 10% shares of Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı was acquired by the Parent Bank for 57,083 per share, in March 24, 2020. Shares are shown in the Acquisitions in the Movement Table of Investments in Subsidiaries.

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Valuation of consolidated subsidiaries in unconsolidated financial statements

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Measured at cost	-	-
Measured at fair value (*)	3,971,302	3,272,862
Equity method of accounting	-	-
Total	3,971,302	3,272,862

(*) Valuation amounts of 31 December 2020 have been taken for the unquoted subsidiaries.

Sectoral distribution of consolidated investments in financial subsidiaries

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Banks	1,052,576	935,314
Factoring companies	443,029	443,029
Leasing companies	1,232,956	502,224
Financing companies	-	-
Other financial subsidiaries	1,242,741	1,392,295
Total	3,971,302	3,272,862

Quoted consolidated subsidiaries

	Current Period - June 30, 2021	Prior Period - December 31, 2020
Quoted at domestic stock exchanges	1,982,452	1,302,025
Quoted at international stock exchanges	-	-
Total	1,982,452	1,302,025

Consolidated subsidiaries disposed during the period

The Parent Bank has no subsidiaries that were disposed in the current period.

In the prior period, 51.10% of the shares owned by the Parent Bank in Güneş Sigorta AŞ, which is monitored in Fixed Assets Held for Sale-Subsidiaries in the balance sheet of the Parent Bank, has been transferred to TVF Finansal Yatırımlar AŞ as of April 22, 2020 and the Parent Bank has no remaining shares in Güneş Sigorta AŞ.

In the prior period, 53.90% of the shares owned by the Parent Bank in Vakıf Emeklilik ve Hayat AŞ, which is monitored in Fixed Assets Held for Sale-Subsidiaries in the balance sheet of the Parent Bank, has been transferred to TVF Finansal Yatırımlar AŞ as of April 22, 2020 and the Parent Bank has no remaining shares in Vakıf Emeklilik ve Hayat AŞ.

Investments in subsidiaries acquired during the period

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

9. Investments in joint-ventures

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRKM ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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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 – June 30, 2021		Prior Period – December 31, 2020	
	Gross	Net	Gross	Net
Less than 1 year	1,390,473	1,199,216	828,136	739,669
Between 1-4 years	2,447,159	2,131,638	2,593,089	2,209,340
Longer than 4 years	349,357	255,407	427,038	322,001
Total	4,186,989	3,586,261	3,848,263	3,271,010

Net investments in finance lease receivables

	Current Period – June 30, 2021	Prior Period – December 31, 2020
Gross finance lease receivables	4,186,989	3,848,263
Unearned income on finance lease receivables (-)	600,728	577,253
Terminated lease contracts (-)	-	-
Net finance lease receivables	3,586,261	3,271,010

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.

12. Information on investment properties

As of June 30, 2021, there are investment properties with a net balance sheet value of TL 659,593 (31 December 2020: TL 502,143) and a fair value of TL 1,009,691 (31 December 2020: TL 867,782), belonging to the Parent Bank's subsidiary operating in the real estate investment trust.

13. Information on tax assets

a) Current tax assets

As at June 30, 2021 there is no current tax asset of the Group (December 31, 2020: None).

b) Deferred tax assets

The deferred tax asset of the Bank as of June 30, 2021 is TL 1,180,745 (December 31, 2020: TL 1,234,832). Information on deferred tax liability V. Section II. Section 8 is shown in footnote.

The deferred tax asset/ liability schedule as of June 30, 2021 and December 31, 2020 is as follows:

	Current Period – June 30, 2021	Prior Period – December 31, 2020
As of 1 January	1,177,204	769,626
Deferred tax income/(loss)	(111,134)	460,368
Deferred tax that is accounted under Equity	56,333	(24,877)
Other	(5,065)	(27,913)
Deferred tax asset/(liability)	1,117,338	1,177,204

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of June 30, 2021, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 1,172,749 (December 31, 2020: TL 1,263,718), and the provision for impairment is TL 7,209 (December 31, 2020: TL 7,467). The amount of other assets held for sales and discontinued operations is 3 TL (31 December 2020: TL 3)

15. Information on other asset

As of June 30, 2021, and December 31, 2020, “Other Asset” item does not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

16. Information on expected loss provisions for financial assets

	Current Period – June 30, 2021	Prior Period - December 31, 2020
Balances with the Central Bank	677	990
Banks	7,307	1,878
Total	7,984	2,868
Financial Assets Measured at Amortized Cost	6,842	6,596
Total	14,826	9,464

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period June 30, 2021	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	13,534,639	-	11,291,062	55,542,053	2,924,256	1,409,504	1,375,522	9,165	86,086,201
Foreign currency deposits	31,838,502	-	30,233,690	102,005,424	6,336,959	4,792,731	11,422,685	-	186,629,991
Residents in Turkey	29,013,422	-	29,631,326	98,598,526	5,487,047	3,085,424	4,430,530	-	170,246,275
Residents in abroad	2,825,080	-	602,364	3,406,898	849,912	1,707,307	6,992,155	-	16,383,716
Public sector deposits	12,090,520	-	5,059,212	9,601,628	922,525	493,341	131,174	-	28,298,400
Commercial deposits	7,793,637	-	22,356,985	27,119,754	1,153,908	760,408	347,604	-	59,532,296
Other	9,853,004	-	2,465,255	18,006,131	3,163,012	2,493,512	1,119,134	-	37,100,048
Precious metal deposits	18,161,831	-	-	9,436	-	1,660,407	185,012	-	20,016,686
Bank deposits	1,535,676	-	7,345,816	8,501,556	-	43,655	289,982	-	17,716,685
Central Bank	1,309	-	-	-	-	-	-	-	1,309
Domestic banks	912,566	-	6,788,199	1,400,309	-	-	-	-	9,101,074
Foreign banks	254,986	-	557,617	7,101,247	-	43,655	289,982	-	8,247,487
Participation banks	366,815	-	-	-	-	-	-	-	366,815
Other	-	-	-	-	-	-	-	-	-
Total	94,807,809	-	78,752,020	220,785,982	14,500,660	11,653,558	14,871,113	9,165	435,380,307

Prior Period December 31, 2020	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	10,033,091	-	9,141,056	49,160,575	1,414,287	309,055	717,266	8,924	70,784,254
Foreign currency deposits	26,859,937	-	23,889,457	101,011,849	4,568,016	3,449,062	10,501,869	-	170,280,190
Residents in Turkey	24,609,233	-	23,495,452	98,182,126	3,659,298	1,956,144	3,640,307	-	155,542,560
Residents in abroad	2,250,704	-	394,005	2,829,723	908,718	1,492,918	6,861,562	-	14,737,630
Public sector deposits	9,869,935	-	16,555,520	9,056,028	835,740	172,860	122,980	-	36,613,063
Commercial deposits	6,887,624	-	24,052,710	31,747,855	199,071	510,308	271,607	-	63,669,175
Other	9,124,141	-	2,401,792	20,331,158	1,278,713	362,348	851,775	-	34,349,927
Precious metal deposits	17,226,185	-	2,231	4,909	-	1,385,635	173,116	-	18,792,076
Bank deposits	1,636,729	-	14,161,699	6,881,876	322,934	29,959	-	-	23,033,197
Central Bank	3,418	-	-	-	-	-	-	-	3,418
Domestic banks	687,760	-	13,871,431	1,180,543	322,934	-	-	-	16,062,668
Foreign banks	253,385	-	290,268	5,701,333	-	29,959	-	-	6,274,945
Participation banks	692,166	-	-	-	-	-	-	-	692,166
Other	-	-	-	-	-	-	-	-	-
Total	81,637,642	-	90,204,465	218,194,250	8,618,761	6,219,227	12,638,613	8,924	417,521,882

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

	Current Period - June 31, 2021		Prior Period - December 31, 2020	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	40,426,745	45,659,456	34,549,132	36,235,122
Foreign currency saving deposits	25,793,789	71,943,451	26,578,612	57,449,267
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	66,220,534	117,602,907	61,127,744	93,684,389

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TÜRKİYE VAKIFLAR BANKASI TÜRKM ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Saving deposits out of insurance coverage limits

	Current Period – June 30, 2021	Prior Period – December 31, 2020
Deposits and other accounts at foreign branches	99,259	68,685
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	12,108	9,753
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- June 30, 2021		Prior Period- December 31, 2020	
	TL	FC	TL	FC
Forwards	179,198	1,156	46,128	1,739
Swaps	95,880	2,138,940	4,013,676	2,019,300
Futures	-	-	-	-
Options	596	72,949	1,367	1,091
Other	-	-	-	-
Total	275,674	2,213,045	4,061,171	2,022,130

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period – June 30, 2021		Prior Period – December 31, 2020	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	149,800	1,652,287	162,800	1,346,184
Domestic banks and institutions	1,830,960	9,612,542	1,947,294	8,931,538
Foreign banks, institutions and funds	170,978	51,164,140	340,202	38,960,977
Total	2,151,738	62,428,969	2,450,296	49,238,699

b) Maturity information of funds borrowed

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Short-term (*)	1,664,037	3,790,205	1,893,582	3,569,660
Medium and Long-term (*)	487,701	58,638,764	556,714	45,669,039
Total	2,151,738	62,428,969	2,450,296	49,238,699

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

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for %9.31 (December 31, 2020: %7.77) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Syndicated Loans Receive

Beginning From	Maturity (Days)	Currency	Amount (Millions)	Interest rate	Coordinator Bank	Agent Bank
10.May.21	367	USD	237,5	Libor+2.50%	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C) MUFG Bank Standard Chartered Bank	Mizuho Bank, LTD.
	367	EUR	691,3	Euribor+2.25%	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C) MUFG Bank Standard Chartered Bank	Mizuho Bank, LTD.
7 December 2020	367	USD	160	Libor + 2.50%	The Commercial Bank (P.S.Q.C.) Emirates NBD Bank (P.J.S.C)	Emirates NBD Bank (P.J.S.C)
	367	EUR	421	Euribor + 2.25%	The Commercial Bank (P.S.Q.C.) Emirates NBD Bank (P.J.S.C)	Emirates NBD Bank (P.J.S.C)

Syndicated Loans Received

Beginning From	Due date	Currency	Amount (Millions) (*)	Loan Type
13.May.11	15 June 2023	USD	346,5	Based on international remittance flows
4 October 2016	15 September 2021	USD/EUR	354,4 (**)	Based on international remittance flows
	15 June 2023	USD/EUR	535,7 (**)	Based on international remittance flows / Based on treasury financing transactions
4 May.18	15 March 2023	USD/EUR	380 (**)	Based on international remittance flows
5 October 2018	15 September 2028	USD	300	Based on international remittance flows / Based on treasury financing transactions
15 October 2019	15 December 2026	USD	417	Based on international remittance flows / Based on treasury financing transactions
22 March 2021	15 March 2027	USD	461,5	Based on international remittance flows / Based on treasury financing transactions
	15 March 2028	USD	200	Based on international remittance flows / Based on treasury financing transactions
	15 March 2026	USD	508	Based on international remittance flows / Based on treasury financing transactions
	15 March 2026	EUR	200	Based on international remittance flows / Based on treasury financing transactions
	15 September 2026	USD	154	Based on international remittance flows / Based on treasury financing transactions
	15 March 2026	EUR	50	Based on international remittance flows / Based on treasury financing transactions
	15 March 2026	USD	115,4	Based on international remittance flows / Based on treasury financing transactions

(*) In the table, the relevant loan amounts are stated over each foreign currency amount.

(**) In the table, the amounts in the relevant credit tranches are given in USD.

As of June 30, 2021, the total securitization balance is equivalent of USD 1,860 million and EUR 379 million. (December 31, 2020: USD 1,175 million and EUR 168 million).

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Information on securities issued

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

As of December 8, 2020 with 5 year maturity date, the yield and the coupon rate has been set at 6.625% and 6.5% respectively amounting to USD 750 Million which is the first Sustainable Eurobond issuance among deposit banks in Turkey.

	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
Current Period - June 30, 2021				
Nominal	6,395,946	5,180,500	357,402	32,339,076
Cost	6,231,852	5,180,500	357,144	32,212,305
Net Book Value	6,389,810	5,392,414	358,625	32,916,785
Prior Period - December 31, 2020				
Nominal	5,994,740	5,180,500	2,177,273	32,330,350
Cost	5,837,483	5,180,500	2,175,570	32,178,202
Net Book Value	5,960,553	5,301,603	2,188,163	32,704,204

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

The amounts recognized under TFRS 16 as of June 30, 2021 and December 31, 2020 are presented below.

June 30, 2021	Service Buildings	Vehicles	Total
Lease payables	1,371,075	33,067	1,404,142
Deferred rental expenses(-)	508,729	4,724	513,453
Lease payables (Net)	862,346	28,343	890,689
Right of use assets	780,778	26,163	806,941
December 31, 2020	Service Buildings	Vehicles	Total
Lease payables	1,326,014	23,835	1,349,849
Deferred rental expenses(-)	368,083	3,031	371,114
Lease payables (Net)	957,931	20,804	978,735
Right of use assets	880,554	19,267	899,821

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 (Continued)

Obligations under finance leases (Continued)

Short term lease contracts with a duration of 12 months or less and lease contracts for ATMs that are determined to be of low value by the Bank have been evaluated within the scope of the exemption recognized by the standard, and payments for these contracts are recorded as expense in the period they occur. In this context, 40,588 TL of lease payments were made in the related period. (June 30, 2020: TL 37,680).

	Current Period - June 30, 2021		Prior Period - December 31, 2020	
	Gross	Net	Gross	Net
Under 1 year	43,895	40,760	24,659	23,607
1-4 Years	355,773	291,248	343,787	297,010
Over 4 years	1,004,474	558,681	981,403	658,118
Total	1,404,142	890,689	1,349,849	978,735

With the "TFRS 16 Leases" standard, effective as of January 1, 2019, the difference between operational lease and financial lease has been eliminated, and leasing transactions have started to be disclosed under the "liabilities from leasing transactions" line.

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

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

None.

7. Information on provisions

Information on employee rights

According to the TAS-19- Judgments of benefits that are provided to employees, bank accounts and calculate provision to obligations of severance pay and allowance rights.

As of June 30, 2021, TL 882,562 (December 31, 2020: TL 794,007) provision for severance pay and TL 101,150 (December 31, 2020 TL 93,669) provision for unused vacation are stated in financial statements under employee rights provision.

Provision for currency exchange loss on foreign currency indexed loans

	Current Period June 30, 2021	Prior Period December 31, 2020
Provision for currency exchange loss on foreign currency indexed loans	162	7,594

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

As of June 30, 2021, the Parent Bank has recorded TL 34,714 (December 31, 2020: TL 43,756) as provisions for non-cash loans that are not indemnified or converted into cash.

Information on provision for probable risks

As of June 30, 2021, the free provision in the financial statements amounted to a total of TL 1,472,000, of which is constituted by TL 400,000 in the current period and TL 1,072,000 in the prior periods. (31 December 2020: TL 1,072,000)

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Taxation

Current Taxes

As at and for the six-month period ended June 30, 2021, the tax liability of the Group is amounting to TL 39,633 (December 31, 2020: TL 396,020).

Information on taxes payable

	Current Period – June 30, 2021	Prior Period – December 31, 2020
Corporate taxes payable	39,633	396,020
Taxation on securities	349,077	283,597
Capital gains tax on property	1,965	1,561
Taxes on foreign exchange transactions	9,285	8,002
Banking and Insurance Transaction Tax (BITT)	239,721	201,314
Value added tax payable	11,813	11,758
Other	51,567	46,994
Total	703,061	949,246

Information on premiums payable

	Current Period June 30, 2021	Prior Period - December 31, 2020
Social security premiums- employee share	613	538
Social security premiums- employer share	632	597
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	25	23
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,744	1,476
Unemployment insurance- employer share	3,457	2,925
Other	-	-
Total	6,471	5,559

Information on deferred tax liabilities

Group's deferred tax debts as of June 30, 2021, TL 63,407. ((December 31, 2020: TL 57,628)

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

None.

10. Information on subordinated loans

Total balance sheet value of the bonds is TL 21,159,145 as of June 30, 2021 (December 31, 2020: TL 19,458,798).

		Current Period- June 30, 2021		Prior Period – December 31, 2020
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation	5,142,554	7,274,402	5,144,984	6,627,849
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	5,142,554	7,274,402	5,144,984	6,627,849
Debt instruments to be included in the additional capital calculation	1,257,662	7,484,527	1,256,477	6,429,488
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,257,662	7,484,527	1,256,477	6,429,488
Total	6,400,216	14,758,929	6,401,461	13,057,337

Detailed explanations on subordinated loans are given in the Section IV, "Information on Instruments to be Included in Equity Calculation".

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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 - June 30, 2021	Prior Period - December 31, 2020
Common stock	3,905,622	3,905,622
Preferred stock	-	-

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

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

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

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	3,905,622	10,000,000

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

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

There is no capital and capital share increase made in the current period.

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

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 – June 30, 2021		Prior Period – December 31, 2020	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	943,968	-	1,075,144	-
Financial assets at fair value through other comprehensive income	(134,135)	936,866	154,212	868,907
Total	809,833	936,866	1,229,356	868,907

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Disclosures related to off-balance sheet commitments

Type and amount of consolidated irrevocable commitments

	Current Period – June 30, 2021	Prior Period - December 31, 2020
Commitments for credit card limits	25,830,100	21,320,698
Loan granting commitments	28,162,102	26,088,692
Commitments for cheque payments	6,350,623	5,723,932
Asset purchase sale commitments	5,803,323	11,842,849
Other	4,043,452	3,860,001
Total	70,189,600	68,836,172

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 411,386 (December 31, 2020: TL 473,440) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 34,714 (December 31, 2020: TL 43,756).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period – June 30, 2021	Prior Period - December 31, 2020
Final letters of guarantee	30,688,204	26,707,408
Letters of guarantee for advances	8,694,817	6,997,981
Letters of guarantee given to custom offices	2,436,344	2,335,826
Provisional letters of guarantee	1,916,379	2,300,586
Other letters of guarantee	44,948,360	37,082,026
Total	88,684,104	75,423,827

2. Non-cash loans

	Current Period – June 30, 2021	Prior Period - December 31, 2020
Non-cash loans given for cash loan risks	31,177,421	23,475,004
<i>With original maturity of 1 year or less</i>	<i>5,976,073</i>	<i>3,761,496</i>
<i>With original maturity of more than 1 year</i>	<i>25,201,348</i>	<i>19,713,508</i>
Other non-cash loans	95,170,720	79,001,198
Total	126,348,141	102,476,202

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Sectoral risk concentrations of non-cash loans

	Current Period - June 30, 2021				Prior Period - December 31, 2020			
	TL	%	FC	%	TL	%	FC	%
Agricultural	100,219	0.20	852,266	1.09	92,169	0.20	711,771	1.21
Farming and Cattle	91,918	0.19	801,994	1.03	85,536	0.19	663,623	1.13
Forestry	6,331	0.01	-	-	4,980	0.01	-	-
Fishing	1,970	-	50,272	0.06	1,653	-	48,148	0.08
Manufacturing	14,617,852	30.14	45,750,531	58.76	14,223,619	32.38	32,550,812	55.60
Mining	587,800	1.21	583,861	0.75	943,206	2.15	377,971	0.65
Production	8,777,246	18.10	41,591,661	53.42	8,627,927	19.64	29,210,184	49.89
Electric, gas and water	5,252,806	10.83	3,575,009	4.59	4,652,486	10.59	2,962,657	5.06
Construction	11,031,747	22.75	9,932,502	12.76	9,697,538	22.08	7,984,351	13.64
Services	20,856,238	43.03	17,678,331	22.71	18,167,717	41.36	15,093,405	25.78
Wholesale and retail trade	8,787,588	18.13	10,364,957	13.31	7,509,189	17.10	8,560,076	14.62
Hotel, food and beverage Services	463,620	0.96	630,024	0.81	399,272	0.91	596,204	1.02
Transportation and telecommunication	4,084,939	8.42	5,317,172	6.83	3,508,135	7.99	3,935,582	6.72
Financial institutions	4,107,312	8.47	295,892	0.38	3,595,286	8.18	315,111	0.54
Real estate and renting Services	1,870,961	3.86	839,511	1.08	1,652,822	3.76	1,310,291	2.24
Self-employment services	1,192,205	2.46	224,554	0.29	1,179,304	2.68	369,557	0.63
Education services	114,162	0.24	1,144	-	67,596	0.15	1,012	-
Health and social services	235,451	0.49	5,077	0.01	256,113	0.59	5,572	0.01
Other	1,881,034	3.88	3,647,421	4.68	1,747,901	3.98	2,206,919	3.77
Total	48,487,090	100.00	77,861,051	100.00	43,928,944	100.00	58,547,258	100.00

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

Current Period - June 31, 2021	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	46,117,252	40,063,137	1,351,758	740,571
Confirmed Bills of Exchange and Acceptances	4,258	7,000,715	-	-
Letters of Credit	289,813	28,857,793	-	173,548
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	217,440	647,939	-	-
Other Guarantees and Sureties	177,541	294,990	-	-
Non-Cash Loans	46,806,304	76,864,574	1,351,758	914,119

Prior Period - December 31, 2020	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	41,833,843	30,916,493	1,323,090	895,488
Confirmed Bills of Exchange and Acceptances	4,258	5,098,493	-	-
Letters of Credit	253,982	20,506,928	-	155,028
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	1,000	474,188	-	-
Other Guarantees and Sureties	273,733	266,238	-	-
Non-Cash Loans	42,366,816	57,262,340	1,323,090	1,050,516

5. Contingent assets and liabilities

Group allocates TL 66,969 as provision for lawsuits against the Group (December 31, 2020: TL 43,699).

6. Services rendered on behalf of third parties

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

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Interest income

Information on interest income received from loans

	Current Period – June 30, 2021		Prior Period – June 30, 2020	
	TL	FC	TL	FC
Short-term loans	5,725,065	367,358	2,904,131	330,578
Medium and long-term loans	13,919,500	3,329,913	10,905,367	2,732,174
Non-performing loans	339,076	-	372,425	-
Premiums received from resource utilization support fund	-	-	-	-
Total	19,983,641	3,697,271	14,181,923	3,062,752

Information on interest income received from banks

	Current Period – June 30, 2021		Prior Period – June 30, 2020	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	8,685	1,649	34,014	6,703
Foreign Banks	-	4,476	-	25,076
Foreign Head Office and Branches	-	-	-	-
Total	8,685	6,125	34,014	31,779

Information on interest income received from marketable securities portfolio

	Current Period – June 30, 2021		Prior Period – June 30, 2020	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	13,044	66,788	18,859	36,153
Financial assets at fair value through other comprehensive income	2,483,596	942,772	1,454,720	248,119
Financial assets measured at amortised cost	3,117,194	366,285	1,967,370	317,762
Total	5,613,834	1,375,845	3,440,949	602,034

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. As stated in the CPI Indexed Bonds Investor Guide of the Ministry of Treasury and Finance of the Republic of Turkey, the reference indices used in the calculation of the actual coupon payment amounts of these securities are constituted according to the CPI of two months anterior. The Parent Bank determines the estimated inflation rate accordingly. The estimated inflation rate used is updated as needed within the year. In this context, as of June 30, 2021, the valuation of the related securities was based on an annual inflation forecast of 12.20%. If the valuation of these securities indexed to CPI was made according to the reference index valid for June 30, 2021, the Parent Bank's equity valuation differences on equity would decrease by TL 306 million and the net profit for the period would increase TL 1,11 million.

Information on interest income received from associates and subsidiaries

None.

2. Interest Expense

Interest expense on funds borrowed

	Current Period - June 30, 2021		Prior Period - June 30, 2020	
	TL	FC	TL	FC
Banks	139,959	619,997	108,266	652,890
Central Bank of the Republic of Turkey	8,170	4,740	-	956
Domestic Banks	115,753	112,487	71,233	63,353
Foreign Banks	16,036	502,770	37,033	588,581
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	30,130	-	38,839
Total	139,959	650,127	108,266	691,729

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Interest expense paid to associates and subsidiaries

	Current Period – June 30, 2021	Prior Period – June 30, 2020
Interests paid to the associates and subsidiaries	73,212	14,543

Interest expense on securities issued

Interest paid to securities issued as at for the period ended June 30, 2021 is TL 2,744,943 (TL 1,307,443 and 1,437,500 FC). (June 30, 2020: TL 2,219,868 (TL 1,194,304 and 1,025,564 FC)).

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 - June 30, 2021								
TL								
Interbank deposits	1	55,915	356,421	-	-	-	-	412,337
Saving deposits	1	701,484	4,452,519	151,102	64,585	77,284	360	5,447,335
Public sector deposits	14,444	570,089	557,290	49,423	24,227	4,471	-	1,219,944
Commercial deposits	-	1,970,972	2,697,467	88,655	58,164	21,045	-	4,836,303
Other deposits	-	153,023	1,296,346	165,203	143,304	62,599	-	1,820,475
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	14,446	3,451,483	9,360,043	454,383	290,280	165,399	360	13,736,394
FC								
Foreign Currency deposits	10,962	167,443	887,879	44,389	35,160	56,612	-	1,202,445
Interbank deposits	2,117	14,631	93,252	-	-	-	-	110,000
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	22	-	3,116	424	-	3,562
Total	13,079	182,074	981,153	44,389	38,276	57,036	-	1,316,007
Grand Total	27,525	3,633,557	10,341,196	498,772	328,556	222,435	360	15,052,401

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 - June 30, 2020								
TL								
Interbank deposits	-	19,952	164,305	-	29,257	-	-	213,514
Saving deposits	-	453,890	1,783,822	111,734	14,075	168,801	535	2,532,857
Public sector deposits	6,899	285,275	253,281	69,744	29,681	1,422	-	646,302
Commercial deposits	-	665,662	765,012	45,369	42,869	58,917	-	1,577,829
Other deposits	-	89,954	369,400	98,716	12,633	5,004	-	575,707
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	6,899	1,514,733	3,335,820	325,563	128,515	234,144	535	5,546,209
FC								
Foreign currency deposits	5,379	60,548	364,501	25,848	9,541	52,660	-	518,477
Interbank deposits	4,055	3,174	26,137	-	4,654	-	-	38,020
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	34	-	1,293	341	-	1,668
Total	9,434	63,722	390,672	25,848	15,488	53,001	-	558,165
Grand Total	16,333	1,578,455	3,726,492	351,411	144,003	287,145	535	6,104,374

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on trading income/losses

	Current Period - June 30, 2021	Prior Period - June 30, 2020
Income	44,669,177	32,543,650
Income from capital market operations	13,159,370	9,161,693
Income from derivative financial instruments	21,281,081	18,955,329
Foreign exchange gains	10,228,726	4,426,628
Losses	(46,544,968)	(33,310,306)
Loss from capital market operations	(12,605,223)	(8,427,995)
Loss from derivative financial instruments	(24,117,228)	(19,991,273)
Foreign exchange loss	(9,822,517)	(4,891,038)
Net trading profit/loss	(1,875,791)	(766,656)

Net loss arising from changes in foreign exchange rates that relate to the Group's foreign exchange rate based derivative financial instruments is amounting to TL 2,649,872 as at and for the six-month period ended June 30, 2021 (June 30, 2020: net loss of TL 822,595).

4. Information on other operating income

	Current Period – June 30, 2021	Prior Period – June 30, 2020
Income from reversal of the provisions for loans from prior periods	4,625,088	3,498,254
Communication income	11,257	8,580
Gain on sale of assets	251,745	320,703
Rent income	5,883	79,107
Other income	376,964	1,388,598
Total	5,270,937	5,295,242

5. Expected credit loss and other provision expenses

	Current Period June 30, 2021	Prior Period June 30, 2020
Expected Credit Loss	4,507,243	6,368,294
12 month expected credit loss (stage 1)	1,172,611	1,548,832
Significant increase in credit risk (stage 2)	1,676,968	2,724,576
Non-performing loans (stage 3)	1,657,664	2,094,886
Marketable Securities Impairment Expense	2,645	31,331
Financial Assets at Fair Value through Profit or Loss	4	11,860
Financial Assets at Fair Value Through Other		
Comprehensive Income	2,641	19,471
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	9,321	325
Investments in Associates	9,321	325
Subsidiaries	-	-
Joint Ventures	-	-
Other^(*)	400,000^(*)	46,511
Total	4,919,209	6,446,461

(*) Free provision amount as of 2021.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on other operating expenses

	Current Period – June 30, 2021	Prior Period - June 30, 2020
Reserve for Employee Termination Benefits	87,757	65,461
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	234,704	234,311
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	22,391	16,771
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses on Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,207,401	1,277,471
<i>Leasing expenses related to TFRS 16 exceptions</i>	40,588	37,681
<i>Repair and maintenance expenses</i>	54,512	31,291
<i>Advertisement expenses</i>	89,725	65,281
<i>Other expenses</i>	1,022,576	1,143,211
Loss on sale of assets	687	23,421
Other (*)	963,569	1,725,165
Total	2,516,509	3,342,621

(*) Other operating expenses amounting to TL 963,569 (June 30, 2020: TL 1,725,165) is comprised of provision expenses for dividends to the personnel amounting to TL 188,752 (June 30, 2020: TL 163,669), there is written off loans and receivables in current period 8,987 (June 30, 2020: TL 890,789), tax, fees and funds expenses amounting to TL 170,425 (June 30, 2020: TL 169,043), "Saving Deposits Insurance Fund" expenses amounting to TL 245,205 (June 30, 2020: TL 217,683) and other operating expenses amounting to TL 350,200 (June 30, 2020: TL 256,981).

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

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

8. Information on tax provision from discontinued and continuing operations

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

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

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

10. Provision for taxes

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

In the current period, the Group recorded a tax provision of TL 221,389 (June 30, 2020: TL 1,773,065) from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Sources of deferred tax benefit/charge	Current Period – June 30, 2021	Prior Period – June 30, 2020
Arising from Origination / (Reversal) of Deductible Temporary Differences	342,992	931,870
Arising from (Origination)/Reversal of Taxable Temporary Differences	(454,126)	(198,889)
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
Total	(111,134)	732,981

11. Information on net profit and loss

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

Group has incurred TL 31,212,567 interest income and TL 24,996,099 interest expense, also incurred TL 1,712,260 amount of net fee and commission income from its ordinary banking operations (June 30, 2020: TL 21,523,890 interest income, TL 10,900,196 interest expense, TL 1,604,913 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 – June 30, 2021	Prior Period – June 30, 2020
Income/(losses) related to non-controlling interest	59,927	31,203

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

Other fees and commission income of the Group mainly consist of credit card fees and commissions, insurance commissions, transfer commissions and 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 CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Current Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	33	412,813	-	32,511	63,311	64,767
Balance at the end of the year	37,416	311,639	-	32,796	12,417	71,926
Interest and commission income	-	228	-	-	3,479	43

Prior Period	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	117	358,819	-	29,783	334,910	57,317
Balance at the end of the year	33	412,813	-	32,511	63,311	64,767
Interest and commission income	-	165	-	-	121	37

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

	Associates and Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	1,716,857	260,823	2,237,815	298,861	117,989	89,026
Balance at the end of the year	790,788	1,716,857	3,170,567	2,237,815	116,682	117,989
Interest on deposits	73,212	14,543	161,148	15,500	5,175	2,623

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

None.

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

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

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

Information on Benefits Provided to Directors

In the accounting period ending on June 30, 2021, a total amount of TL 26,010 was paid to the Group top management. (June 30, 2020: 25,950 TL).

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

**SECTION SIX
OTHER DISCLOSURES**

I. OTHER DISCLOSURES ON THE PARENT BANK'S ACTIVITY

As per the resolution of 67th Annual General Assembly held on March 26, 2021, the net profit of year 2020 has been decided to be distributed as follows:

Profit Distribution Table of Year 2020	
Bank's unconsolidated profit in its statutory financial statements	5,010,456
Deferred tax credits	-
Net profit of the year subject to distribution	5,010,456
Legal reserves	501,046
First Legal Reserves	250,523
Reserves allocated according to banking law and articles of association.	250,523
Net profit of the year subject to distribution	4,509,410
Gain on sale of immovable and shares of associates and subsidiaries	163,415
Extraordinary reserves	4,345,995
Dividends to shareholders	-

It is decided to transfer 654,718 TL of the amount of 900,871 TL, which was accounted in prior years' gains, into special fund within the scope of Article 5/1-e of the Corporate Tax Law numbered 5520 and 90,087 TL was to be allocated to legal reserves, and the remaining amount of 156,066 TL to Extraordinary Reserves.

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

February 2021*	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	Stable
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B
Viability Note	b+

December 2020*	Moody's Investors Service
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative

June 2021*	JCR Eurasia
Long Term International FC	BB (Stable)
Short Term International FC	B (Stable)
Long Term International TL	BB
Short Term International TL	B
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support Note	1
Independancy from Shareholders	A

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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OTHER DISCLOSURES (Continued)

III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED

Between July 2, 2021 and July 14, 2021, the Parent Bank has issued financial bonds in various maturities.

SECTION SEVEN

INDEPENDENT AUDITORS’ REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITORS’ REVIEW REPORT

The Group’s consolidated financial statements and footnotes as at and for six-month period ended June 30, 2021 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). It was noted in their audited report dated August 9, 2021 that nothing material has come to their attention that caused them to believe that the accompanying consolidated financial statements do not give a true and fair view of the Group’s financial position and results of its operations.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR

None.

TÜRKİYE VAKIFLAR BANKASI TÜRKM ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

SECTION EIGHTH

INFORMATION ON THE INTERIM ANNUAL REPORT

Assessment of the Chairman of the Board

Dear stakeholders,

As the pace of vaccination has gained momentum during the second quarter in 2021, the loosening of lockdowns started to support the improvement in global economic outlook. Developed countries continued their expansionary monetary and fiscal policies during this period as well. However, Delta variant, which emerged towards mid-June, was a particular source of worry in the markets. The US Federal Reserve Bank (FED) and European Central Bank (ECB) did not change their respective policy interest rates in their June meetings. While ECB has remained committed to purchasing EUR 1.85 trillion of bonds as part of its Pandemic Emergency Purchase Program, it also emphasized that the program would be continued in a remarkable faster pace. While economic activities in China slightly slowed down in April, its overall first-half performance was strong. During the second quarter of the year, the US, Eurozone and Chinese economies grew by 6.5%, 13.7% and 7.9%, respectively, on a year-over-year basis.

On the other hand, Turkish economy grew by 7% in the first quarter of the year annually. During the second quarter of the year, the fact that the vaccination gained momentum in our country, the drop in cases and developments in the tourism sector had a positive impact on the economic outlook. However, inflationist risks remained to be pointing upwards during that term. TCB underlined in its June meeting that the tight monetary standing would not be waived. In addition, during this period, the CBRT changed its reserve requirement application. On the same date, the BRSA adopted certain macro cautionary measures to lighten the pressure on inflation.

Turkish banking industry maintained its strong structure during that period thanks to its healthy balance sheet, cautionary provisional policies and high capital adequacy ratios. During the 2Q21, Turkish Banking sector’s asset size reached TL 6.730 billion with a 10.22% increase compared to the end of 2020. The capital adequacy ratio of the sector as of the end of June turned out to be 17.75%.

In VakıfBank, we also managed to maintain our strong growth momentum during this period. Our total assets reached TL 729,040 million, while our cash loans, having the highest share in our total assets, increased by 8.73% to TL 458,872 million. Total deposits, our main funding source, rose to TL 432,412 million.

In VakıfBank, we will continue to support the sustainable and strong growth of Turkish economy, as always. In light of the foregoing, I would like to thank to our valuable customers, our shareholders and investors for their confidence in us, as well as our employees for their efforts.

Sincerely yours,

Mustafa SAYDAM
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 TÜRKM ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

INFORMATION ON THE INTERIM ANNUAL REPORT (Continued)

General Manager's Assessment

Dear Stakeholders,

Covid-19 case numbers continued to spiral downwards in 2Q21 as global vaccination pace gained momentum. This has led to normalization steps and a loosening in lockdowns. This way, many developed and emerging market economies displayed a strong growth performance during that period. Turkish economy grew by 7% on a year-on-year basis in 1Q21, which was above the anticipated figures.

In VakıfBank, we continued to give uninterrupted support to our national economy during the 2Q21. During that period, we managed to increase our asset size by 4.31%, amounting to TL 729,040 million: The biggest contribution to our asset growth was from loans. Thanks to the support from our commercial loans, which rose by 10.25%, we managed to grow our cash loans by 8.73%. We supported our national economy through cash and non-cash loans amounting TL 584 billion.

During that period, deposits remained the primary funding source for the Bank. Thanks to the diverse portfolio of products and services in deposit area, total deposits rose by 4.44%, reaching TL 432,412 million. On the non-deposit funding side, we borrowed the first sustainable syndicated loan in the amount of USD 1.1 billion, a first in the bank's history, with the purpose to support the development of a resource-effective and green economy. This way, we once more confirmed the credibility of our Bank and Turkish banking sector in international markets. In addition, our syndicated loan size which reached USD 1.8 billion propelled us to a position among the leading banks in this field.

Our Bank maintained its strong capital structure during this period as well. Our capital adequacy ratio turned out to be 15.13% during the 2Q21. Our 2Q net profit was TL 1.410 million.

On the other hand, changes seen in customer habits and attitudes during the pandemic quickened the pace of digitalization. While, on the one hand, we continued to gain new customers during this period, we also proceeded with our efforts to consolidate our relations with existing customers. We managed to push the number of our digital customers above 8.3 million as of the end of June 2021. Following the introduction of the regulation which was drafted by the Banking Regulation and Supervision Agency (BRSA) and which allows remote ID verification, we introduced the system in May whereby one can be a customer by means of face recognition in VakıfBank Mobile. This way, people may now become VakıfBank customers instantly without the need to visit a branch. We gained nearly 20 thousand new customers within a short period of time through this channel. Besides, we continued to enhance the diversity of our products and services during this period as well. We now offer our new digital card "Click Card" to our customers.

Just like every other period, we once more strove to enhance our values that we add to the ecosystem during this period thanks to our point of view for sustainability. We managed to increase our environmental, social and governance performance every single other day, and succeeded to be the first bank that has established the Integrated Management System in Turkey. We found a place in international platforms and led the sector as a pioneer in many areas thanks to our sustainability works. We continued to contribute to the fight against climate change for a better viable future. In this respect, we became a Carbon Negative Company in 2020 just like in 2019.

In VakıfBank, we will continue to create value in every period and in every area and to contribute to the sustainable growth in national economy. For this reason, I would like to take this opportunity to thank our customers and shareholders for their confidence in us, and our employees for their efforts, and the Board of Directors and all other social stakeholders for their support.

Sincerely yours,

Abdi Serdar ÜSTÜNSALİH
General Manager and
Executive Director

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

INFORMATION ON THE INTERIM ANNUAL REPORT (Continued)

Significant Financial Indicators

BALANCE SHEET (TL Million)	JUNE 2021	DECEMBER 2020	CHANGE (%)
TOTAL ASSETS	729,040	698,897	4.31
SECURITIES PORTFOLIO	165,427	146,510	12.91
LOANS (*)	458,872	422,043	8.73
- Commercial Loans	346,915	314,675	10.25
- Retail Loans	111,956	107,368	4.27
DEPOSITS	432,412	414,044	4.44
- Term Deposits	338,839	333,507	1.60
- Demand Deposits	93,573	80,536	16.19
FUNDS BORROWED	59,731	46,987	27.12
SUBORDINATED DEBT INSTRUMENTS	21,159	19,459	8.74
SECURITIES ISSUED (NET)	44,521	45,513	-2.18
SHAREHOLDERS' EQUITY	47,853	46,485	2.94
NON-CASH LOANS	124,792	101,236	23.27

INCOME STATEMENT SUMMARY (Million TL)	JUNE 2021	JUNE 2020	CHANGE (%)
Net Profit/Loss for the Period	1,410	3,241	-56.49

INDICATIVE RATIOS (%)	JUNE 2021	DECEMBER 2020
TOTAL LOANS/ TOTAL ASSETS (*)	62.94	60.39
LOANS/DEPOSITS (*)	106.12	101.93
NON-PERFORMING LOANS RATIO	3.66	3.97
CAPITAL ADEQUACY RATIO	15.13	16.44
RETURN ON AVERAGE ASSETS (ROAA) (**)	0.40	0.90
RETURN ON AVERAGE EQUITY (ROAE) (**)	5.98	12.60

(*) Loans excluding legal proceedings.

(**) Calculations are annualized.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

INFORMATION ON THE INTERIM ANNUAL REPORT (Continued)

Significant Financial Indicators (Consolidated)

BALANCE SHEET (TL Million)	JUNE 2021	DECEMBER 2020	CHANGE (%)
TOTAL ASSETS	742,395	712,091	4.26
SECURITIES PORTFOLIO	169,558	150,133	12.94
LOANS (*)	468,788	431,945	8.53
- Commercial Loans	356,827	324,572	9.94
- Retail Loans	111,961	107,373	4.27
DEPOSITS	435,380	417,522	4.28
- Term Deposits	340,572	335,884	1.40
- Demand Deposits	94,808	81,638	16.13
FUNDS BORROWED	64,581	51,689	24.94
SUBORDINATED DEBT INSTRUMENTS	21,159	19,459	8.74
SECURITIES ISSUED (NET)	45,058	46,155	-2.38
SHAREHOLDERS' EQUITY	48,904	47,152	3.72
NON-CASH LOANS	126,348	102,476	23.30

INCOME STATEMENT SUMMARY (Million TL)	JUNE 2021	JUNE 2020	CHANGE (%)
Net Profit/Loss for the Period	1,695	4,192	-59.58

INDICATIVE RATIOS (%)	JUNE 2021	DECEMBER 2020
TOTAL LOANS/ TOTAL ASSETS (*)	63.15	60.66
LOANS/DEPOSITS (*)	107.67	103.45
NON-PERFORMING LOANS RATIO	3.72	3.99
CAPITAL ADEQUACY RATIO	14.88	16.05
RETURN ON AVERAGE ASSETS (ROAA) (**)	0.47	1.11
RETURN ON AVERAGE EQUITY (ROAE) (**)	7.06	15.71

(*) Loans excluding legal proceedings.

(**) Calculations are annualized.

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI CONSOLIDATED FINANCIAL REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

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

INFORMATION ON THE INTERIM ANNUAL REPORT (Continued)

Assessment of 2Q21

Our Group continued to grow in the second quarter of 2021, and increased its total assets by 4.26% to TL 742,395 million. During that period, our performing loans rose by 8.53% and reached TL 468,788 million, and performing loans in our total assets captured a 63.15% share in total assets. When we look at the sub-distribution of loans, we see that our commercial loans reached TL 356,827 million while consumer loans reached TL 111,961 million.

During 2Q21, total deposits of the Group increased by 4.28% to TL 435,380 million.

In addition to deposits, our Group issued commercial bonds with a nominal value of TL 7,814 million in total as of the second quarter in 2021 for marketing through public offering and domestic qualified investors. The amount of funds that we borrowed from international markets reached USD 3,401 million during the year.

Our Group managed to borrow a two-tranche syndicated loan for a total sum of USD 1.1 billion including USD 237,5 million and EUR 691,3 million. 38 banks from 18 countries participated in the syndicated loan. In this first sustainable syndicated loan of the Group, the roll-over ratio compared to the same period of the last year was 105%. The total cost of the 367 days -term loan was LIBOR +2.50% for USD tranche and EURIBOR +2.25% for Euro tranche.

Our Group’s net profit in 2Q21 was TL 1,695 million while our capital adequacy ratio was 14.88%.

As of 30 June 2021, our Bank’s number of branches was 939 with a number of 16,673 employees.

Fitch Ratings, an international rating agency, confirmed all rating grades and outlook of VakıfBank on 04 May 2021.

Our Bank was also rated by JCR Eurasia Rating, and our Bank’s Long Term National Rating Rate was set to be “AAA (Trk)”, and Short Term National Rating to “A-1+(Trk)” while its outlook was confirmed to be “stable”. The agency set the Long-term Foreign Currency and Local Currency ratings to “BB”, which represents the sovereign cap rating.

Other Significant Developments

- Results of the Ordinary General Assembly Meeting of our Bank, held on 26 March 2021 was registered by Istanbul Trade Registry Office on 19 April 2021.

Amendments of the Articles of Association

There has been no amendment to the Articles of Incorporation during the term.