

# Together, with trust, to the future...



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We left 2020 behind with a successful performance, despite the hard times due to the Covid-19 pandemic that shook the world. In all our departments and branches, we worked with the spirit of civil mobilization for our country and our nation.

We know that there is no room for despair in our culture. We always believed that spring would come, even after the harshest winters. We became a hope with our performance and have continued to rise in the rankings of Turkey's largest banks. We become Turkey's second largest bank. Together for 66 years, hand in hand, we have proven that there is nothing we can't achieve.



# Like a Family

We see all of Turkey as our family. We continue to improve our performance for everyone. We are the second largest bank of Turkey in terms of asset size. Our market share in cash loans increased from 10% to 12%; and our market share in total assets increased from 9% to 11%.



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Total size of  
assets

TL **699** billion

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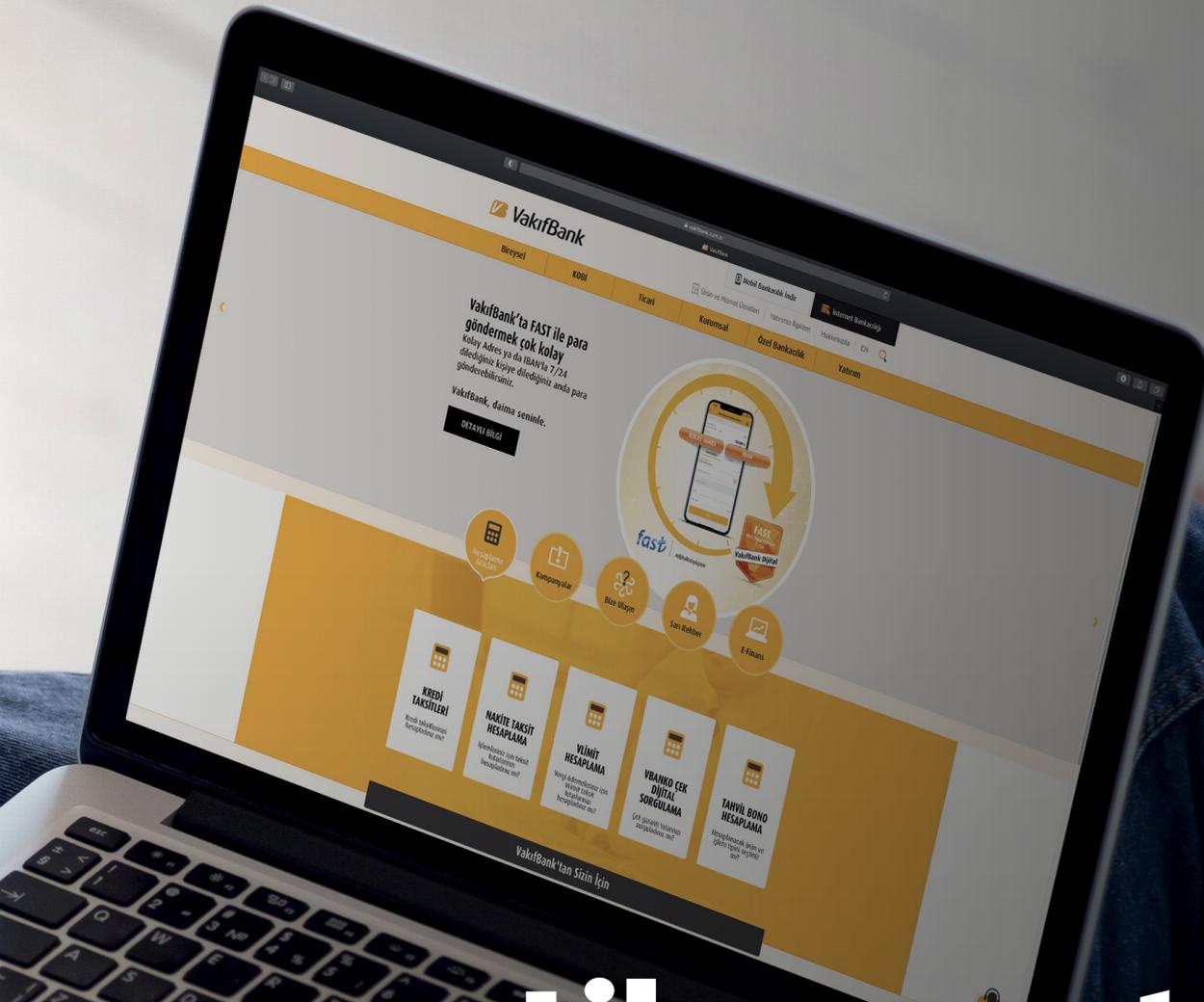


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Digital customer  
acquisition

**2.4** million people

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# Like a partner for life

We support our customers with our innovations wherever and whenever. While technology is developing tremendously, we are taking firm steps into the future with our digital breakthroughs. Transaction volume realized through digital platforms increased by 124%. The rate of transactions performed through non-branch channels exceeded 95% of the overall transactions.



# Like a friend

We have the mindset that aims to always stand by the all segments of society; to reach anyone in need in all circumstances, to support and produce solutions according to the needs from childhood to retirement, in every period of life, anywhere in Turkey. We address our work in the field of corporate social responsibility under three main focus: "education," "culture" and "sports" and we stand by our society with the long-term support and investments we provide.

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Number of Children Trained at  
VakıfBank Sports Club Youth Setup

**1,100**

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# Like a business partner

We attach special importance to our human resources in our strategy that we have built in line with great goals and we are moving towards the future with the strength arising from unity. As a bank that supports women to take active parts with equal rights in all aspects of social and economic life and, we draw attention with our female employee rate.

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Ratio of  
Female Employees

**50.62%**

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# Like a guide

We guide the industry in sustainable banking. By offsetting more than all greenhouse gas emissions calculated within the scope of our efforts in this area, we became our country's "First Carbon Negative Bank." By aiming to increase the number of high energy efficiency in housing Turkey, we implemented the Green Mortgage Project with French Development Agency (AFD).

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Loan amount provided with  
the Green Mortgage Project

Euro **200** million

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## About the Report

**We, as Türkiye Vakıflar Bankası T.A.O. (VakıfBank), hereby present our performance and future projections in corporate governance, environmental and social fields in addition to our financial data to our stakeholders within the scope of our Integrated Annual Report 2020.**

We, as Türkiye Vakıflar Bankası T.A.O. (VakıfBank), hereby present our performance and future projections in corporate governance, environmental and social fields in addition to our financial data to our stakeholders within the scope of our Integrated Annual Report 2020, covering the period between January 1 and December 31, 2020.

This report has been prepared in accordance with GRI Standards: “Core” option. Additionally, we have considered the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC). We shared our value creation model, the activities we have carried out and the performance progress by grouping our material topics and capital elements in accordance with these frameworks.

Also, we benefited from Sustainability Accounting Standards Board’s (SASB) Provisional Standard for Commercial Banks and the GRI Financial Services Sector Supplement. Unless otherwise is stated, the data represents the banking activities of VakıfBank conducted in all of the service units in Turkey and abroad.

In addition, our report includes the United Nations Global Compact (UNGC) Communication on Progress and the UN Women’s Empowerment Principles (UN WEPs) Progress Report of which we are signatories.

In our report, in which we also benefit from the guidance of the UN Sustainable Development Goals (SDGs), there is a table showing our climate-related statements within the scope of the recommendations of The Task Force on Climate-related Financial Disclosures (TCFD).

Please send your questions, comments and suggestions about the report to [vbsurdurulebilirlik@vakifbank.com.tr](mailto:vbsurdurulebilirlik@vakifbank.com.tr)



## OUR FINANCIAL CAPITAL

Change in Total Assets: **67%**  
Total Amount of Cash & Non-Cash Loans: **TL 523 Billion**  
Capital Adequacy Ratio: **16.44%**

You may access the related section on page 54.



## OUR INTELLECTUAL CAPITAL

Total Number of Customers in Digital Channels: **7,833,862**  
Amount of Products/Services with Brand Registration: **10**

You may access the related section on page 72.



## OUR MANUFACTURED CAPITAL

Number of Branches: **936**  
Number of ATMs: **4,247**  
ATMs for Barrier-free Life: **3,978**  
Share of Transactions from ADCs: **96%**

You may access the related section on page 82.



## OUR SOCIAL & RELATIONAL CAPITAL

New Customers Gained: **1,989,421**  
Number of Children Trained at VakıfBank Sports Club Youth Setup: **1,100**  
Number of Books Published in 2020: **50**  
Awards Received in Sports: **5**

You may access the related section on page 88.



## OUR HUMAN CAPITAL

Rate of Female Employees: **50.62%**  
Average Training Time Per Employee: **46.97 hours**  
Employee Turnover Rate: **1.65**

You may access the related section on page 100.



## OUR NATURAL CAPITAL

Total Number of ISO 14001 Certified Locations: **All Bank Locations**  
Energy Consumption per Employee: **5.72 MWh/person**  
Amount of Paper Saved: **85.63 Tons**

You may access the related section on page 116.

## Message from the Chairman

**With the incentive packages announced and the policies implemented, our country's economy entered into a rapid recuperation period starting from the third quarter.**

**We, as VakıfBank, continued our support for the national economy in 2020.**

**Our bank's support to the national economy through cash and non-cash loans reached TL 523 billion.**



Dear Stakeholders,

As VakıfBank, we create values for all our stakeholders by placing at the center of our strategic business model. I am glad to present our Integrated Annual Report prepared at international standards with these thoughts to you, our distinguished shareholders.

The COVID-19 pandemic, which emerged in China and hit the world in 2020, was the most important factor affecting social and economic life globally. Countries have taken measures against the spread of pandemics ranging from travel restrictions, social isolation to closing customs gates. Besides these, many incentive packages have been declared to eliminate the adverse effects of the precautions taken in production, supply chain, and employment areas.

The US Federal Reserve Bank (Fed) held two extraordinary meetings in March, cut the interest rates by 150 basis points, and reduced the funding rate to the range of 0-0.25%. The bank increased its expansion program previously announced as USD 700 billion to USD 2.3 trillion in April. The European Central Bank (ECB) also increased the EUR 750 billion urgent additional bond purchase program (PEPP) launched against the pandemic to EUR 1.85 trillion in December. It did not change the interest rates and kept the policy interest at 0%. The Bank of Japan (BoJ) kept its policy rate unchanged at -0.1% and announced that it would buy an unlimited amount of government bonds by removing the annual upper purchasing limit of 80 trillion Yen.

In 2020, although Turkey's economy grew at a substantial rate of 4.5% in the first quarter of the year, it shrank by 9% in the second quarter due to the measures taken after the first COVID-19 case had been seen in March and to the world, economies nearly came to a cessation point. Nevertheless, with the incentive packages announced and the policies implemented, our country's economy entered into a rapid recuperation period starting from the third quarter. Thus, unlike many developed and developing countries, Turkey's economy achieved a growth rate of 1.8% in this challenging year.

The Turkish banking sector, the most significant contributor to the growth of Turkey's economy, left this year behind with success. The sector's asset size increased by 36% compared to the previous year as of the end of 2020 and reached TL 6,108 billion. Total cash and non-cash loans increased by 32% compared to last year, reaching TL 4,580 billion. The total deposits, the biggest funding source for the sector, increased by 35% to TL 3,455 billion. The Turkish Banking Sector preserved its strong capital structure in 2020 too. The sector's capital adequacy ratio was 18.76%.

We, as VakıfBank, continued our support for the national economy in 2020, as we have been doing for 66 years. Our bank increased its total assets to TL 699 billion and became the second-largest bank in Turkey. Loans contributed the most to asset growth. Our bank's support to the national economy through cash and non-cash loans reached TL 523 billion. On the other hand, our capital adequacy ratio was 16.44% with our strengthening capital structure.

As always, VakıfBank will keep its support up to the sustainable and robust growth of Turkey's economy. I would like to take this opportunity to thank our customers, shareholders, and investors who have trusted us, our employees who have made great efforts in our success, and all our other stakeholders for their contributions.

Yours respectfully,

**Abdülkadir AKSU**  
**Chairman**



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### Capital adequacy ratio at a reasonable level

Our capital adequacy ratio was 16.44% with our strengthening capital structure.

# 16.44%



## Message from the General Manager

**With our innovative products and quality services we offered in 2020, we achieved growth above the sector averages in many balance sheet items.**

**Turkey's economy ended the year with a growth of 1.8%.**

**Our country became one of the exceptional countries that ended the year 2020 with positive growth.**



Dear Stakeholders,

As VakıfBank, we perceive sustainable banking understanding as one of our most critical strategic goals. We also attach great importance to report the steps we have taken and will take in line with this goal to our stakeholders. In this context, I am pleased to present you our Integrated Annual Report, which reflects our Bank's perception of sustainable banking.

The main agenda for 2020 was the COVID-19 pandemic that emerged in China and then spread worldwide. The quarantine and social isolation measures applied due to the pandemic affected the economic life adversely. The American economy shrank by 3.5%. The Eurozone, which includes Europe's largest countries such as Germany, France, and Italy, shrank by 6.8%. The Chinese economy grew by 2.3%, the lowest in the last four decades.

The impact of the global economic shrinkage was felt in Turkey in the first half of the year. However, thanks to the proactive measures implemented by our financial management, Turkey's economy entered a recovery period in the third quarter. Our economy, which continued to recover in the last quarter, ended the year with a growth of 1.8%. Thus, it became one of the exceptional countries that ended the year 2020 with positive growth.

In this period, the Turkish banking sector continued to contribute to the national economy with its high capital adequacy ratio, strong liquidity structure, and ability to manage fluctuation periods effectively. The asset size of the sector has reached TL 6,108 billion. It provided TL 4,580 billion support to the economy through its cash and non-cash loans.

As VakıfBank, we have prioritized protecting our colleagues' and customers' health from the first day that the pandemic took effect. On the one hand, we continued to support our country's economy while providing convenience to our customers who had difficulties in loan repayments due to the pandemic. We increased our total asset size by 67% to reach TL 699 billion, and we are proud to be the second-largest bank in Turkey. I want to express my gratitude to all of our devoted employees, especially our customers who have trusted us, who have contributed to this success, our business partners who are always with us, and our Board of Directors who always support us.

With our innovative products and quality services we offered in 2020, we achieved growth above the sector averages in many balance sheet items. Mainly thanks to our loan policies that support production, employment, and exports, we increased our commercial loans by 50.4%, well above the sector, to TL 315 billion. We also increased our loans by 64% to TL 107 billion. We also increased our total cash loans by 53.6% to TL 422 billion. Thus, the support we provided to the national economy through cash and non-cash loans reached TL 523 billion.

During this period, we increased the deposit, which is our Bank's primary funding source, by 64.6%, well above the sector, to TL 414 billion. We continued to expand our deposit portfolio by offering alternative products to our customers in the field of deposits. On the non-deposit funding side, we maintained our pioneering position in international capital markets. We broke one more ground by triumphantly completing the first 'Sustainable Eurobond' issued by deposit banks with a USD 750 million volume. Right after we signed a EUR 200-million agreement with the French Development Agency (AFD), the largest amounting "Green Mortgage Project" in Turkey's banking sector. In this way, in 2020, we issued USD 5.1 billion of resources in our country's economy from international markets.

In 2020, we completed the capital increase process of our Bank. 35.99% of our shares were under the Turkey Wealth Fund's auspices, with a total sale of TL 7 billion through the allocated capital increase method. Thus, we made our Bank's capital even stronger.

On the other hand, the pandemic process has drastically changed the way of doing business in the banking sector and customers' financial transaction habits, as is the case worldwide. With the rapid introduction of contactless solutions in daily life, mobile banking has increased by the majority of society. As VakıfBank, we continued our infrastructure investments without slowing down to provide our customers with flawless banking services on our journey that we started with the motto "Digital makes it easy." As a result of all efforts we have performed to increase our customers' financial comfort, we gained approximately 2.4 million new digital customers. The number of our customers using the internet and mobile banking services exceeded 7.5 million. The ratio of transactions made through non-branch channels to all transactions exceeded 95%.



This year, we also implemented a digital solution adopted by our Bank for the first time in Turkey so that our customers can perform their transactions without leaving their homes. With the new generation chip ID cards, we quickly let completed becoming an internet banking customer, obtaining a password, and activating mobile banking.

Again, our applications in Qatar to expand our organization abroad and constantly stand by the Turkish entrepreneur turned positive in this period. As of 2020, our bank became the first and only Turkish bank holding a banking license in Qatar.

In 2020, we took new steps in line with our environment-friendly banking goals. We became a Carbon Negative organization by acquiring "55,000 Verified Carbon Units." With this voluntary attempt, we have supported the transition to a low-emission economy further than removing our carbon footprint. In the meantime, we recently replaced 450 of our utility vehicles with hybrid versions. In this way, we contributed to carbon emission reduction.

We were selected for the second time with a higher score in the Bloomberg Gender-Equality Index (Bloomberg GEI), which conducted the most significant gender equality research globally and maintained its continuity in the index in 2021. As a sign of our efforts, we have been the Platinum award winner in the Gender Equality category at the recently held 12<sup>th</sup> Corporate Social Responsibility Summit.

This year, with social responsibility awareness, we continued our strong support to social areas ranging from culture to arts, from sports to education. Within the scope of the support to the Ministry of National Education Science and Art Education Centers (BİLSEM), we continued to contribute to the special education needed by specially qualified children.

Throughout the year, we undertook 15 Artificial Intelligence Workshops and more than 170 Information Technologies Laboratories in cities such as Istanbul, Izmir, Bolu, Trabzon, Bursa, Kayseri, and Adana. Thus, we approached 230 as the total number of classrooms and workshops established by our supports and 39 Mechatronics and Mind Games Workshops installed in the previous years.

"The most international cup-winning team of Turkey" VakıfBank Sports Club, we had established in 1986 intending to denote our support to sports activities in Turkey, and Turkish women have left 34<sup>th</sup> year behind. Our VakıfBank Sports Club has included 4 European Champions League, 3 Clubs World Championships, one CEV Cup, Challenge Cup, and 11 Turkey Championships in its 34-year history, succeeded in printing its name in the Guinness World Records for the second time in 2020. As VakıfBank, we will continue our uninterrupted and robust support to VakıfBank Sports Club to further increase these successes. Again, in this period, we brought more than 50 works to our readers under VakıfBank Cultural Publications to contribute to our country's cultural accumulation at a national and universal level and transfer cultural heritage to future generations. Today, we have nearly 90 written works.

In the upcoming period, we will endeavor to increase the further values that we add to the ecosystem with a sustainability perspective. By this means, I would like to express my sincere gratitude to our customers and shareholders who have trusted us in 2020, to our employees who have made great efforts in our success, to our Board of Directors who have never withheld their support and to all our other stakeholders for their contributions.

Yours sincerely,

**Abdi Serdar ÜSTÜNSALIH**  
General Manager

**We are the second-largest bank in Turkey**

**We increased our total asset size by 67% to reach TL 699 billion, and we are proud to be the second-largest bank in Turkey.**

**TL 699**  
Billion



## VakıfBank in Brief

Paid-in Capital  
TL **3,906**  
MILLION

Number of Employees  
**16,748**

Number of Domestic  
Branches  
**933**

Number of Foreign  
Branches  
**3**

Number of  
Subsidiaries and  
Affiliates  
**26**



Title	Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Date of Incorporation	April 13, 1954
Head Office	Istanbul-TURKEY
Paid-in Capital	TL 3,905,622,490
Number of Employees	16,748
Number of Domestic Branches	933
Number of Foreign Branches	3
Number of Subsidiaries and Affiliates	26
Independent Audit Company	PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address	Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 7/A-B Ümraniye/Istanbul-TURKEY
Telephone	(+90 216) 724 10 00
Fax	(+90 216) 724 39 09
Website	<a href="http://www.vakifbank.com.tr">http://www.vakifbank.com.tr</a>
E-mail	<a href="mailto:vakifbank@hs01.kep.tr">vakifbank@hs01.kep.tr</a>

## VakıfBank's Cornerstones

### **Our Mission**

Continuously increasing the value created for customers, employees, shareholders and society by managing its assets and the values entrusted with in an effective and efficient manner with the strength of its foundation culture.

### **Our Vision**

Being Leader Bank of Strong Turkey

### **Our Core Values**

- Reliability
- Social responsibility
- Result orientation
- Customer orientation
- Innovative approach
  - Team spirit
  - Loyalty
  - Leadership

## VakıfBank in Numbers



Change in  
Asset Size  
**66.6%**



Change in  
Cash  
Loans  
**53.6%**



Change in  
Deposits  
**64.6%**



Change in  
Securities  
Issued  
**56.0%**



Change in  
Shareholders'  
Equity  
**40.8%**



Capital  
Adequacy  
Ratio  
**16.44%**



Average Training Hours Per Employee  
**46.97 Hours**



Number of Renewable Energy Projects Financed  
**28**



Number of Barrier-Free Life ATMs  
**3,978**



Share of Transactions From Alternative Distribution Channels  
**96%**



Employee Turnover Rate  
**1.65**



Ratio of Female Employees  
**50.62%**

## History and Ownership Structure

### Turkey's Second Largest Bank in Total Assets

Our Bank was established with the Law numbered 6219 dated January 11, 1954 with a capital of TL 50 million in order to utilize the assets of foundations in the most efficient manner, to contribute to the savings of the country with the management and working understanding required by modern banking, and to use the collected savings in accordance with the needs of economic development. Our Bank, which is subject to the provisions of private law, started its operations on April 13, 1954. Since then, we continue to make important contributions to the growth and development of the country's economy, and we represent a well-established tradition and experience in our country's banking system.

In addition to providing core banking products and services, we also conduct investment banking and capital markets operations. We also deliver a wide range of financial services including financial leasing and factoring through our financial subsidiaries with advanced technologies.

With our leading stance in international capital markets, we continue our work without slowing down and continue to focus on long-term and cost-effective funding alternatives under various structures.

Also, we play an important role in the Turkish financial sector as an important corporation with our contributions to sports and culture and arts for many years with social responsibility awareness.

#### **Türkiye Vakıflar Bankası T.A.O. Ownership Structure and Changes**

The Ownership Structure of the Parent Bank is as follows as of December 31, 2020

Shareholders- December 31, 2020	Number of Shares (Hundred per Share)	Capital (TL Thousand)	Share Capital (%)
Republic of Turkey Ministry of Treasury and Finance (Group A)	1,075,058,640	1,075,058	27.52
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673,328	387,673	9.93
Other Appendant Foundations (Group B)	2,591,250	2,591	0.07
VakıfBank Pension Fund (Group C)	402,552,666	402,553	10.31
Other Natural and Legal Persons (Group C)	1,527,393	1,528	0.04
Turkey Wealth Fund (Group D)	1,405,622,490	1,405,622	35.99
Free Float (Group D)	630,596,723	630,597	16.14
<b>TOTAL</b>	<b>3,905,622,490</b>	<b>3,905,622</b>	<b>100.00</b>

As of May 20, 2020, the capital increase process of the Bank was completed with the sale of newly issued shares to Turkey Wealth Fund through private placement and without being offered to the public with a total sales proceeds amounting TL 7,000,000,000.

You may reach more information about the Changes in the Ownership Structure of the Parent Bank from these webpages: <https://www.kap.org.tr/en/Bildirim/844257>, <https://www.kap.org.tr/en/Bildirim/850350> <https://www.kap.org.tr/en/Bildirim/851574>.

The ownership structure of the Parent Bank before the changes is shown below.

Shareholders – December 31, 2019	Number of Shares (Hundred per Share)	Capital (TL Thousand)	Share Capital (%)
Republic of Turkey Ministry of Treasury and Finance (Group A)	1,075,058,640	1,075,058	43.00
VakıfBank Pension Fund (Group C)	402,552,666	402,553	16.10
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673,328	387,673	15.51
Other Appendant Foundations (Group B)	2,652,715	2,653	0.11
Other Natural and Legal Persons (Group C)	1,527,393	1,528	0.06
Free Float (Group D)	630,535,258	630,535	25.22
<b>Total</b>	<b>2,500,000,000</b>	<b>2,500,000</b>	<b>100.00</b>

#### Information on the Bank's Qualified Shareholders

Name Surname /Title	Share Amount (Nominal)	Share Percentage	Paid Shares (Nominal)	Unpaid Shares
Republic of Turkey Ministry of Treasury and Finance (Group A)	1,075,058	27.52	1,075,058	-
Republic of Turkey Ministry of Treasury and Finance (Group B)	387,673	9.93	387,673	-
VakıfBank Pension Fund (Group C)	402,553	10.31	402,553	-
Turkey Wealth Fund (Group D)	1,405,622	35.99	1,405,622	-

#### - Shares Owned by the Chairman, Board Members, General Manager and Executive Vice Presidents

Compliance with the "Guide on Best Remuneration Practices at the Banks" published by the Banking Regulation and Supervision Agency (BRSA) was completed on 01.01.2020.

Senior management and personnel considered to be performing a function that has a significant impact on the Bank's risk profile are considered as special employees. You can find the explanations made within this scope at <https://www.kap.org.tr/en/Bildirim/811943> and <https://www.kap.org.tr/en/Bildirim/861713>.

#### - Disclosures Made to Borsa Istanbul within the Context of Informing Shareholders

Pursuant to the CMB Communiqué on Material Events Disclosure (II-15.1), the Bank recorded 448 material event disclosures in 2020 on issues affecting the Bank and its operations. These disclosures were concurrently published on the Public Disclosure Platform (<https://www.kap.org.tr/en/>) and on the Bank's website (<https://www.vakifbank.com.tr/recent-news.aspx?pageID=624>)

#### Capital Increase Process

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 ("CMB"), the Banking Regulation and Supervision Agency ("BRSA") and the Procedure for Borsa Istanbul'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 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.

Thus, while the paid-up capital of the Bank increased to TL 3,905,622,490, the remaining amount was reflected in the records as share premium.

## Amendments to the Articles of Incorporation

Changes have been made in the Articles of Association of our Bank and these changes are registered on 09.06.2020 and published in the Turkish Trade Registry Gazette dated 11.06.2020. You may find the Bank's Articles of Association at <https://www.kap.org.tr/en/Bildirim/851574>.

# Agenda of the Ordinary General Assembly Meeting

## **THE AGENDA OF THE 67<sup>th</sup> ORDINARY GENERAL ASSEMBLY MEETING OF TÜRKİYE VAKIFLAR BANKASI T.A.O. PLANNED TO BE HELD IN 2021**

1. Opening and the formation of the Presidency Council,
2. Reading and discussion of the 2020 Board of Directors' Annual Report, Audit Board Report, and Auditor's Reports,
3. Reading, discussion and approval of 2020 financial statements,
4. Discharge of the Board Members regarding the 2020 activities,
5. Submitting the Board of Directors' proposal on 2020 profit distribution and means of use to the approval of the General Assembly,
6. The renewal of the elections for the Members of the Board,
7. The renewal of the elections for the Audit Board,
8. Determination of financial benefits for the Board Members and Audit Board Members,
9. Authorizing the Board Members for matters under the Articles 395 and 396 of the Turkish Commercial Code,
10. Election of the Auditor,
11. Informing the General Assembly about the transactions regarding the withdrawal of bank shares from the exchange,
12. Approval of the changes made in the Internal Directive on the working principles and procedures of the General Assembly,
13. Informing shareholders about the donations made during the year,
14. Informing shareholders about the Sustainability Activities,
15. Wishes and closing remark.

# Dividend Policy

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

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

- a) 5% to the ordinary reserve up to the amount of paid-in capital,
- b) 5% to the first extraordinary reserve,
- c) 9% to the employees as dividend premium to be distributed within the principles determined by the Board of Directors as limited to three months gross salary of the employee,
- d) To the second extraordinary reserve from remaining balance in the amount that will be determined by the General Assembly in case of a necessity for the Bank to continuously improve and to provide its steady profit distribution or reinstate the assets according to Article 523/2 of the Turkish Commercial Code.

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

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

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

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

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

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

## Declaration of Responsibility

We have examined the Bank's "2020 Integrated Annual Report" and we acknowledge and state that:

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

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

Corporate Governance Compliance Report (CRF), Corporate Governance Information Form (CGIF) and Sustainability Principles Compliance Framework have been examined, and they reflect the truth accurately.

**Abdülkadir AKSU**

Chairman of the Board

**Serdar TUNÇBİLEK**

Board Member and Member of  
the Audit Committee

**Dilek YÜKSEL**

Board Member and Member of  
the Audit Committee

**Abdi Serdar ÜSTÜNSALIH**

CEO

**Şuayyip İLBİLGİ**

Executive Vice President

**Metin ALIMLI**

Head of Strategy and Planning  
Department

# 2020 Awards

Award Name	Product Name	Award Type	Award Subject	Related Capital Item
Sardis Awards	Mirriad Project	Gold	"Newest Digital Ideas"	
Mediacat-Felis Awards	Mirriad Project	Achievement	"Use of Innovative Technology"	
Mediacat-Felis Awards	Mirriad Project	Achievement	"Excellence in Media Innovation"	
Mediacat-Felis Awards	IBAN Reader	Felis	"Financial Services Category"	
Stevie Awards	SKY LİMİT	Bronze	"Product and Services Category - Financial Services subcategory"	
PSM Awards	ViBi	Silver	"Most Innovative Customer Interaction Experience"	
PSM Awards	Online Integration of Power of Attorney	Gold	"Digital Transformation"	
IDC Turkey Digital Transformation Awards	ViBi	Third Prize	"Omni Experience Innovator"	
CSR Summit – SDGs Awards	VB Sports Club	Platin	"Gender Equality"	
International Finance Awards	ViBi		"Most User Friendly Mobile Banking Solutions"	
Social Media Awards	Social Media Management	Silver	"Public Banks Category"	
Communitas Awards	VB Sports Club		"Community Service and Corporate Social Responsibility   10. Leadership in Community Service and Corporate Social Responsibility"	
Los Angeles Film Awards (LAFA)	Gözde Kırdar Documentary		"Inspirational Woman Movie"	
New York International Film Awards (NYIFA)	Gözde Kırdar Documentary		"Best Sports Movie"	
Oniros Film Festival	Gözde Kırdar Documentary		"Best Sports Movie"	
Middle East Stevie Awards	Customer Churn Model		"Innovation in Technology Development"	
Middle East Stevie Awards	Customer Churn Model	Gold	"Innovation in Technology Management, Planning and Application"	
Middle East Stevie Awards	Customer Behavior Segmentation	Bronze	"Innovation in Technology Management, Planning and Application"	
Turkey Institute of Internal Auditors (TIDE)		Bronze	"Certification Awareness" and "Continuous Professional Development Awareness Award"	
Annual Report Competition (ARC)	Annual Report 2020	2 Gold Awards	"Photography' and 'Interior Design"	
Annual Report Competition (ARC)	Annual Report 2020	2 Silver Awards	"Special' and 'Environment"	



## The World and Turkey in 2020

**2020 has been a year where the global economy has come to a standstill, by the coronavirus emerging in China spreading worldwide.**

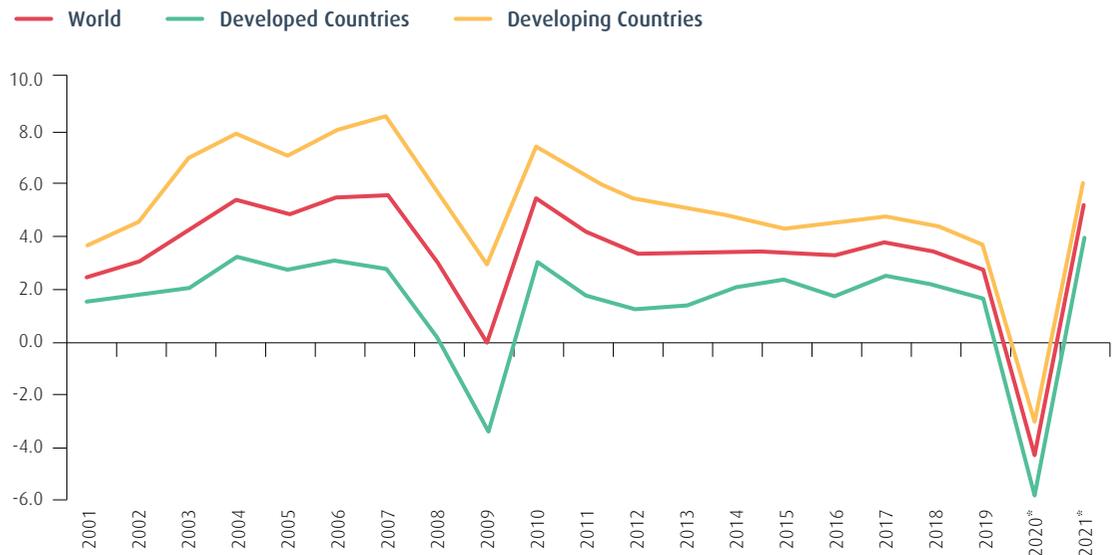
**In the presidential elections held in November, Democratic candidate Joe Biden won the election.**

### GLOBAL ECONOMY

The year 2020 was under challenging conditions with the coronavirus pandemic, including the total number of cases over 87 million globally and causing 1.9 million deaths. The global economy had a tough year with the measures taken to fight the emerging and rapidly spreading coronavirus in China, the ongoing tension between the USA and China, and the Brexit uncertainties. The country's economies were hit hard due to travel restrictions, business closures, curfews, and assemblage bans. The world economy, which completed 2019 with a growth rate of 2.8%, is expected to complete 2020 with a shrinkage of 3.5% due to the negativities experienced. Despite the optimism created by the coronavirus vaccine inventions, it is predicted that the first half of 2021 will be challenging, and pre-pandemic levels will not be completed before the second half of 2021.

The World Bank announced that 88 million to 115 million people would be dragged into extreme poverty this year due to the coronavirus outbreak. Stating that the COVID-19 outbreak can trigger a debt crisis, particularly in developing countries, G-20 leaders noted that the initiative to suspend developing countries' debt repayments would continue at least until June 2021. While low-wage jobs, notably in the service industries, were lost due to the coronavirus crisis, the propertied class recovered much faster, opening the gap between social segments. On the other hand, after the sharp contraction in the country's economies in the second quarter, rapid growth was experienced in the third quarter due to the steps taken by governments and central banks to deal with the economic problems caused by the COVID-19 pandemic. The resumption of restrictions due to the pandemic's second wave caused the third quarter's sharp growth to slow down again in the fourth quarter.

### Real Growth (y-y,%)



Source: IMF, \*IMF estimate.

While the total number of cases in the USA was approximately 22 million due to coronavirus, the total loss of life reached 370 thousand. Completing 2019 with 2.2% growth, the US economy shrank by 3.5% in 2020 with the impact of the COVID-19 outbreak, recording its worst performance since 1946. With President Biden's new stimulus package, 2021 expectations for the US economy were updated from 4% to 5%. While the lowest unemployment rate of the last 50 years was achieved with 3.5% before the USA pandemic, more than 22 million people lost their jobs in March and April. With the pandemic's effect in April, the unemployment rate reached its highest level since the Great Depression that started in 1929 at 14.7%. As of May, the unemployment rate began to decline again and fell to 6.7% in December. However, only half of the 22 million workers who lost their jobs between February and April were able to find employment again.

In the presidential elections held in November, Democratic candidate Joe Biden won the election. After long-standing negotiations between the Republican and Democratic Party in the US, an agreement was reached on a USD 900 billion support package against the coronavirus pandemic's economic impacts. US President Donald Trump signed and enacted a USD 2.3 trillion bill consisting of a USD 892 billion coronavirus aid package and a USD 1.4 trillion federal government-spending plan. The package became the second-largest stimulus in US history after the USD 2.4 trillion economic aid adopted in March. Thus, unemployment benefits were given to millions of Americans again, and federal government agencies were not closed.

While the European Continent was heavily affected by the COVID-19 crisis in 2020, it went through a difficult period as daily cases, and total casualties reached record levels. To prevent the pandemic, the whole economy, especially the service sector, was negatively affected due to the closure of the country's borders. The European Parliament (EP) approved the European Union (EU) budget for 2021-2027 and the coronavirus rescue package worth EUR 750 billion. In March, Germany announced a EUR 750 billion bailout package to keep the economy afloat. Besides, Germany announced another stimulus package worth EUR 130 billion in June. In Germany, having the largest economy in the region, the economy shrank by 5% in 2020 due to the economic crisis caused by COVID-19, ending the 10-year uninterrupted growth. It was stated that the closures against the pandemic in Germany and other countries pushed the recovery in the economy back, and the production of goods and services would not reach pre-crisis levels before the end of 2021. GDP in the Eurozone contracted by 6.8% for the whole of 2020 due to the pandemic. The IMF warned that the post-crisis Eurozone economy could recover more slowly than other economies and lowered its 2021 growth forecast for the Eurozone to 4.2%.

The Brexit process, which started with the referendum in 2016, ended with the parties reaching a trade agreement on December 24, 2020. On January 23, 2020, the Brexit bill passed through Parliament and became law. On January 31, 2020, the UK left the European Union of which it has been a member since 1973, and the 11-month transition process, which ended on December 31, 2020, officially



started on February 1. Although it took a long time to reach an agreement between the EU and the UK, the Parliament signed the free trade agreement by a majority vote on December 30, signed by Johnson. Thus, the Brexit process, which started in June 2016 and was an important source of uncertainty, ended in December 2020.

Various measures have been taken in Japan to support the economy adversely affected by the COVID-19 outbreak. The previous Prime Minister of Japan, Shinzo Abe, announced a USD 1.1 trillion package in April. A second economic stimulus package amounted to USD 1.1 trillion in May. Thus, the total amount of support reached USD 2.2 trillion, making it the most extensive package in the world. The government of Prime Minister Yoshihide Suga, taking over from Abe, who had resigned due to health problems, announced a USD 700 billion stimulus package in December to alleviate the pandemic's economic effects.

**GDP in the Eurozone contracted by 6.8% for the whole of 2020 due to the pandemic.**

## The World and Turkey in 2020

**While the Fed and the European Central Bank (ECB) established swap lines with the central banks of six countries to maintain liquidity, the Fed later expanded this number to nine central banks.**

**China declared that it would extend the customs duty exemption by one year for six chemicals and petroleum products imported from the USA.**

Additionally, Japan government approved the 106.6-trillion-Yen record budgetary proposal prepared for the 2021 fiscal year. Finance minister Taro Aso stated that they are making a balanced budget to prevent the pandemic, economic recovery, and fiscal consolidation. Thus, the 2021 budget adopted in the country struggling with coronavirus and stimulating the economy brought the heaviest debt burden among developed countries. It was planned to spend 35.8 trillion Yen for social security and 5 trillion Yen to fight against the pandemic in the budget. As a result of these developments, the Japanese economy grew by 0.9% in 2019, shrank by 4.8% annually in 2020, and experienced the second-largest contraction in its history. After the 2008 financial crisis, GDP contracted by 5.7% 2009.

Although China was the first country where the COVID-19 pandemic started, it survived the pandemic very quickly. The reflection of the pandemic on the economy was limited compared to other countries. Thus, China became the only country that achieved a growth rate in 2020, although its growth rate slowed down. Completing 2019 with 6.1% growth, the Chinese economy grew by 2.3% in 2020 despite the coronavirus pandemic. China is expected to grow 8% in 2021.

On the other hand, due to the pandemic's uncertainties, China decided not to target gross domestic product (GDP) for 2020 for the first time since 1990. At the beginning of March, plans were announced to increase public spending, facilitate foreign companies' entry into the Chinese market, and tax cuts of 2 trillion Yuan (the USD 298 billion) to stimulate the economy. China made progress in its relations with the US in January and signed the "phase one" trade agreement. On the other hand, the USA announced that it would cut the high tariffs on Chinese products by half. Nevertheless, tensions between the US and China have resumed after the pandemic. While the US has blacklisted some Chinese companies, it has decided to impose sanctions to a group of Chinese officials in its latest move against China.

On the other hand, China declared that it would extend the customs duty exemption by one year for six chemicals and petroleum products imported from the USA. The exemption decision was announced after the USA's first stage trade agreement was arrived in 2019. Analysts who made predictions about how China-US relations will take shape

during the period of Joe Biden, who was elected to the US Presidency, state that it will take time to decrease the tension in China-US relations and that they do not expect any structural change in the relations between the two countries during the Biden period.

**In 2020, expansionary monetary policies continued while Central Banks rapidly lowered interest rates to struggle with coronavirus.**

In 2019, the Federal Reserve (Fed) cut the interest rates three times to lower interest rates to the range of 1.50% -1.75%. In the USA, the country with the highest number of cases and deaths globally, the Fed made important decisions to protect the pandemic's economy throughout 2020. The Fed, which held two extraordinary meetings in March, cut the funding rate by 150 basis points and cut the funding rate to the range of 0-0.25%. Besides, the Fed announced that it had started an expansion program of USD 700 billion. The Fed supported the economy by announcing an additional action decision to provide loans up to USD 2.3 trillion in April. The Fed, which did not change interest rates at its December meeting, promised that asset purchases would continue. While the Fed and the European Central Bank (ECB) established swap lines with the central banks of six countries to maintain liquidity, the Fed later expanded this number to nine central banks.

2020 has also been an exceptional year for the European Central Bank (ECB). The ECB announced on March 18 that it started an additional emergency bond purchase program (PEPP) of EUR 750 billion against the pandemic. Stating that the program will cover all assets within the current monetary expansion framework, the bank declared that a new long-term pandemic refinancing program was concluded on April 30. Stating that the monthly asset purchases of EUR 20 billion will continue, the bank indicated that they are ready to purchase more bonds if needed. The ECB, which increased its Pandemic Emergency Procurement Program by EUR 600 billion in June, announced that it extended the program until June 2021. The ECB, proceeding with the measures announced until December, increased its pandemic procurement program by another EUR 500 billion to EUR 1.85 trillion in the meeting on December 10. It extended the program for nine more months and revised the deadline to March 2022. The bank kept the policy interest at 0% by not changing the interest rates throughout the year.



The Bank of Japan (BoJ) further relaxed its monetary policy in 2020 to reduce the economic effects of the COVID-19 outbreak. BoJ decided to purchase 2 trillion Yen corporate bonds and 3 trillion Yen corporate bonds. It also announced that it would make an additional purchase of 7.5 trillion Yen each by the end of March 2021. It raised the target set for net assets of exchange-traded funds (ETFs) from 6 trillion Yen to 12 trillion Yen. Japanese real estate investment funds (J-REIT) increased their purchases from 90 billion Yen annually to 180 billion Yen annually. BoJ extended its monetary stimulus measures by removing the bond purchase limit against the coronavirus pandemic's deepening economic effects. He reported that he would buy an unlimited amount of government bonds by removing the annual ceiling for government bonds of 80 trillion yen. It announced a new borrowing program of 75 trillion Yen to support small businesses heavily affected by the coronavirus pandemic and stop the economy from drifting into a deep recession. BoJ kept the policy rate unchanged at -0.1% in 2020. The Bank emphasized that it will continue its Yield Curve Controlled Monetary Expansion policy until it reaches the inflation target of 2%.

Many central banks took action in 2020 to support the economies of countries hit by the coronavirus crisis. The Bank of England (BoE) announced a £ 200 billion in the bond purchase and a £ 330 billion loan and guarantee program. Besides, it cut the interest rates to 0.1% by 65 basis points in two extraordinary meetings. The Reserve Bank of Australia made two rate hikes during March, pulling the interest rate to 0.25% and established a USD 60 billion swap line with the Fed. The bank reduced the interest rate to 0.1% at its November meeting. The Indonesian Central Bank cut the interest rate by 25 basis points to a record low of 3.75% at its November meeting. The Central Bank of India cut the interest rates by 40 basis points to 4% at its May meeting. At its July meeting, the Central Bank of Russia lowered its policy rate to historic lows by 4.25%.

**Central Banks  
of developing  
countries lowered  
their policy rates  
to historied low  
levels.**

## The World and Turkey in 2020

### Turkey's economy recovered after the sharp drop in the first half of the year.

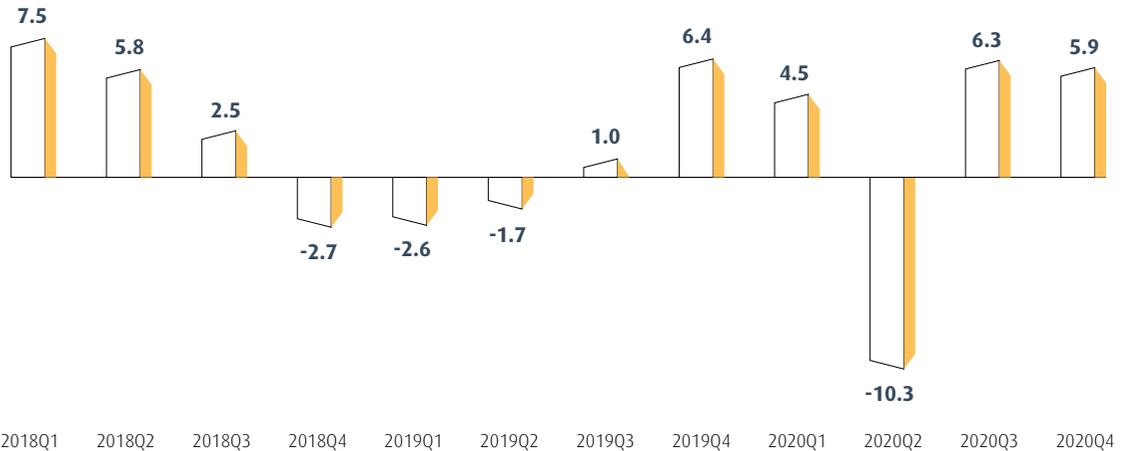
As a result of the normalization process that started in June, Turkey's economy recovered in the third quarter of the year and regained positive growth.

#### TURKISH ECONOMY

Following the positive growth experienced in the second half of 2019, Turkey's economy started with positive growth in the first quarter of 2020 with the base effect and stocks' contribution compared to the same quarter of the previous year. Due to the coronavirus pandemic's adverse impact, which started to be seen almost worldwide since March, the growth rate decreased sharply in the second quarter. The rapid increase in domestic demand and the measures taken, and the stimulus packages provided against the pandemic's negative impact on the economy enabled Turkey's economy to grow in the third and last quarter. Thus, Turkey's economy grew by 6.3% in the third quarter and 5.9% in the fourth quarter, ended 2020 with a growth of 1.8% when the pandemic was effective worldwide. Turkey was among the rare economies that ended the year 2020 with positive growth when the pandemic's adverse effects were felt strongly. The positive growth outlook of Turkey's economy is expected to continue accelerating in 2021.

The budget balance, which started in 2020 with an increase due to the absence of pandemic effects, has experienced deterioration since March. The increase in tax revenues was instead limited due to the delay in tax collections and the decrease in the buoyancy in domestic demand. Another factor in the budget balance deterioration was the slowdown in foreign trade due to the pandemic. While tax revenues increased with the recovery in domestic demand and economic recovery during the normalization process, the budget balance started to display a more positive performance thanks to the decrease in interest expenditures. After the pandemic's normalization, the budget balance again showed a deficit as the second wave's effects started to be seen. In November, the surplus was given as domestic demand continued to be buoyant. The exchange rate and price increase raised the taxes on consumption. In December, the budget balance deteriorated due to a loss of momentum in revenues and increased expenditures due to some restrictions put into practice. The budget balance had a deficit of TL 172.7 billion in 2020. Thus, the budget deficit / GDP ratio ended the year at 3.5% levels above 3%.

#### Turkey Real Growth Rate (y-y, %)



Source: TÜİK



**Inflation was at double digits in 2020.**

At double-digit levels throughout 2020, inflation declined to its lowest level in the year with 10.94% in April due to the base effect from last year. However, with the measures taken to struggle with the COVID-19 pandemic, increasing domestic demand, and the pressure created by the increase in exchange rates, the decline in inflation did not continue.

With the rise of cost-side pressures, inflation ended at 14.60%, the highest level it had seen in the year. Although inflation may continue to rise in the first months of 2021, a downward movement may occur for the rest of the year due to tightening monetary policy decisions.

**Inflation Indicators (y-y, %)**



Source:CBRT

## The World and Turkey in 2020

**In November, when the first meeting of the new chairman Naci Ağbal was held, the CBRT realized the sharpest interest rate increase in the last two years in line with the market expectations and increased the policy interest rate from 10.25% to 15% with an increase of 475 basis points.**

**In 2021, an improvement in the unemployment rate is expected in line with the 5.8% growth target specified within the scope of NEP.**

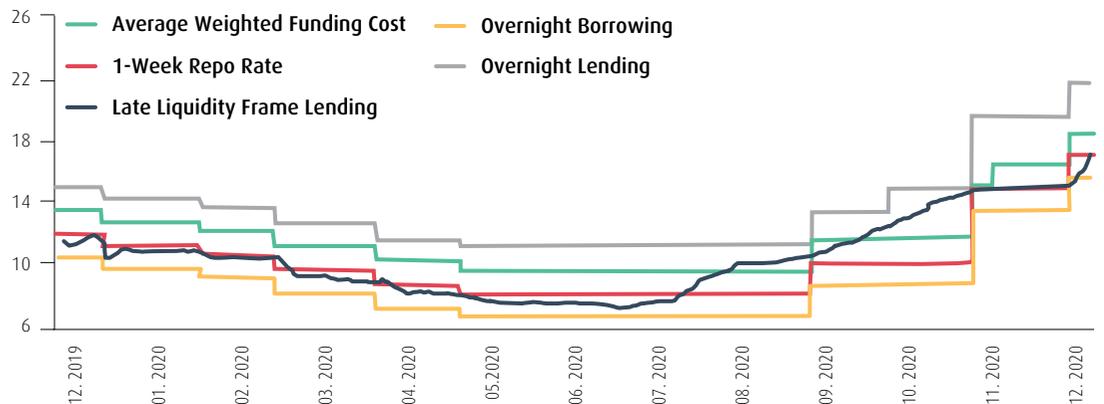
### **CBRT increased the interest rates in the last months of the year and took simplification steps.**

In the first four months of the year, the Central Bank of Turkey (CBRT) decided to cut interest rates because the weakening in global growth has deepened due to the coronavirus pandemic. The expansionary steps of developed and developing central banks continue. In the middle of 2020, the CBRT suspended interest rate cuts due to the rising impact on the inflation outlook. The CBRT, which kept its policy rate unchanged in August, took liquidity tightening steps. In September, it was determined to increase the interest rates, stating that the tightening actions taken since August should be strengthened to control inflation expectations and limit the risks against inflation. While it is expected that the CBRT will continue to increase the interest rates in October, surprisingly, it was stated that it would continue the liquidity measures by leaving the policy rate unchanged. In November, when the first meeting of the new chairman Naci Ağbal was held, the CBRT realized the sharpest interest rate increase in the last two years in line with the market expectations and increased the policy interest rate from 10.25% to 15% with an increase of 475 basis points. The CBRT decided to make all funding through a one-week repo auction interest rate and simplified its monetary policy. The CBRT simplified its required reserve

application and reduced the number of rates in categories where more than one rate is applied, with the change in reserve requirement ratios on November 27. Calling the 200 basis point rate hike in the last month of the year as a strong tightening, the CBRT stated that it had taken this decision by taking the 2021 year-end forecast target into account to eliminate the risks to the inflation outlook, to control inflation expectations and to restore the disinflation process as soon as possible.

The unemployment rate, which started 2020 with a decline, rose in the middle of the year due to the economy's negative course due to the pandemic effect. The unemployment rate, which stood at 14.3% in June, decreased gradually after reaching its peak. The dismissal ban imposed by the Presidential decree due to the pandemic in 2020 was effective in keeping the unemployment rate relatively low. Employment and labor force participation rates increased in the third quarter of the year. While the unemployment rate fell in November, the decline in the labor force participation rate drew attention. In 2021, an improvement in the unemployment rate is expected in line with the 5.8% growth target specified within the scope of NEP.

### **CBRT Interest Rates (%)**



**Central government gross debt stock increased, led by domestic debt.**

Although it is seen that the central government debt stock increased in 2020, the ratio of debt stock to GDP is below 60% within the framework of the Maastricht Criterion, also known as the “Fiscal Rule” of the EU. It is expected to remain below this rate in 2021.

**The current account balance had a deficit this year due to the pandemic influence.**

With the positive impact from 2019, although the current account surplus continued with 12-month total figures in the first two months of 2020, the negative outlook created by the COVID-19 outbreak in the world economies was reflected in the current domestic account balance figures.

The first time seen a deficit in the balance of services due to the decrease in tourism revenues was one of the most fundamental reasons for the current account deficit. The sharp decline in reserves was the first item to be affected by the outbreak. The increase in gold imports in 2020 also had an increasing effect on the current account deficit. Thus, the current account balance had a deficit of USD 36.7 billion in 2020. In 2021, after the COVID-19 outbreak, the current account balance is expected to have a deficit again due to the revival in economic activity and the increase in energy costs. Still, the current account deficit is expected to decrease compared to 2020 due to the rise in tourism revenues.

The ratio of debt stock to GDP is below 60% within the framework of the Maastricht Criterion, also known as the “Fiscal Rule” of the EU.



## The World and Turkey in 2020

### In 2020, the Turkish banking sector supported the real economy.

The sector's asset size increased by 36% annually in 2020 and reached TL 6 trillion 108 billion.

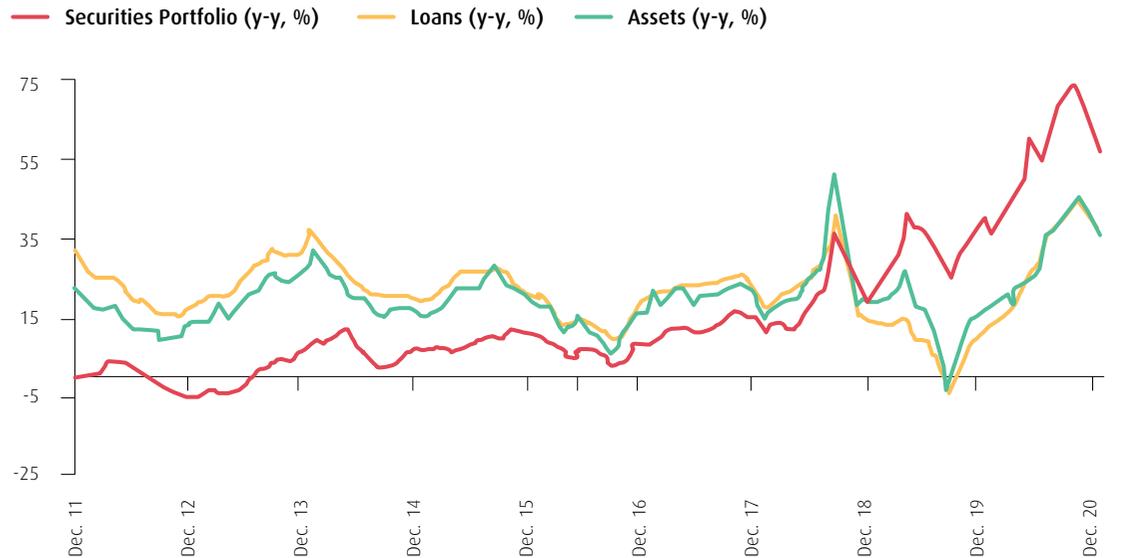
#### BANKING SECTOR

The Turkish banking sector accelerated its loans to support the real economy in 2020 when the economy was adversely affected by the COVID-19 outbreak. Besides, due to the increase in domestic borrowing by the Treasury and the decision of BRSA's asset ratio, there was a rapid increase in the securities portfolio (SP) of the sector in 2020. Thus, the sector's asset size increased by 36% annually in 2020 and reached TL 6 trillion 108 billion. In 2020, the loan size in the sector reached TL 3 trillion 576.4 billion. The annual growth rate of non-performing loans declined in 2020 because of the increase in loans and loan structuring during the year.

Thus, the NPL ratio of loans, which was 5.4% at the end of 2019, decreased to 4.1% at the end of 2020. In 2020, the annual growth rate of SP reached historic high levels. While the annual rate of increase of SP reached its historically high level with 72.3% in September, the size of SP reached TL 1 trillion 22.6 billion at the end of the year.

On the other hand, with the end of the sharp upward movement in exchange rates and interests, following the change in economic management and CBRT's simplification of monetary policy, the annual growth rate of loans and SP slowed down. The said slowdown is expected to continue in 2021, with the effect of BRSA's termination of its active ratio practice as of the new year.

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



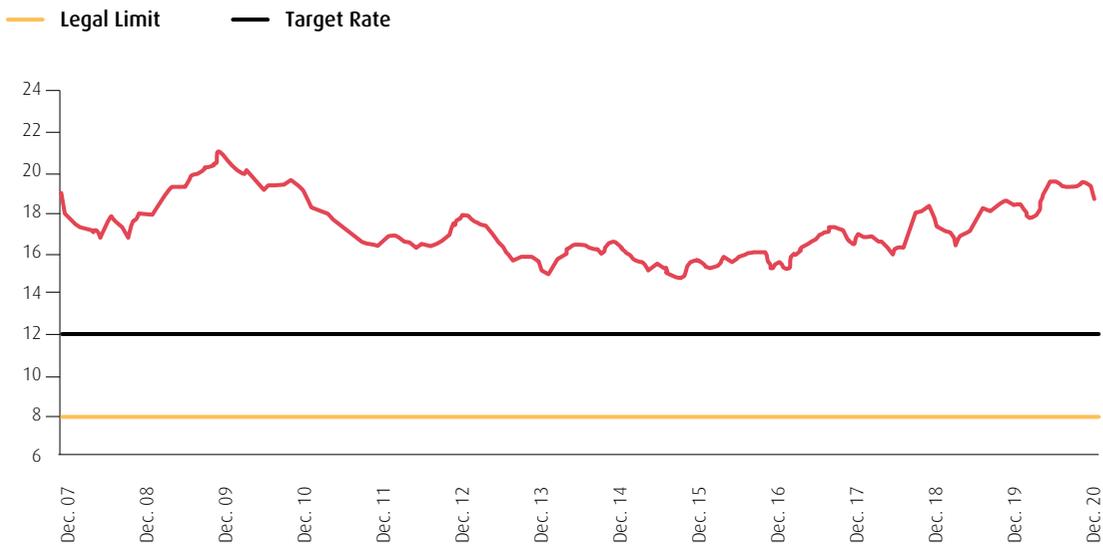


In 2020, deposits continued to be the primary funding source of the banking sector. However, sharp increases were also observed in non-deposit funds (MDK). In 2020, deposits increased by 34.6% to TL 3 trillion 455.3 billion, while non-deposit resources increased by 43.3% to TL 2 trillion 51.5 billion, supporting increasing interest rates in 2021, deposits will maintain their weight in the balance sheet. As expected in 2020, the sector profit rose due to the base effect. The sector profit increased by 19.3% in 2020, reaching TL 58.5

billion. Increasing costs after interest rate hikes in the second half of 2020 may pressure the banking sector's profits in 2021. However, profitability is expected to increase in the second half of the year. The capital adequacy ratio, which was 18.4% at the end of 2019, was 18.7% in 2020. In 2021, a horizontal course may be observed in the capital adequacy ratio.

**In 2020, deposits increased by 34.6% to TL 3 trillion 455.3 billion.**

**Capital Adequacy Ratio (CAR)**



Source: BRSA

## Trends and Highlights in the Banking Sector

**We consider the COVID-19 outbreak among the main trends affecting our industry, along with “Struggling with Climate Change and Transition to a Carbon-Free Economy,” “Digitalization,” “Changes in Working Culture.”**

**The magnitude of the impact created by the finance sector with the resource providing function to other sectors makes its role also important to achieve the goal of keeping global warming below 1.5 degrees Celsius.**

The finance sector has a business model that requires being connected to all sectors; therefore, its potentiality and speed to be affected by changes are higher than other sectors. We care about analyzing global, regional, and local trends with the awareness of this situation specific to our industry. Thus, we aim to take precautions in advance upon potential risks created by changes and seize opportunities on time. With the idea that natural resources, technology, and labor are at the core of the value creation process, we closely monitor local and global developments and acknowledge them when determining our priorities.

Unquestionably, the most significant incident of 2020 was the COVID-19 outbreak. The pandemic, whose impact is felt throughout the world, will continue to be effective in the upcoming period as a development that cuts other trends horizontally. For this reason, we consider the COVID-19 outbreak among the main trends affecting our industry, along with “Struggling with Climate Change and Transition to a Carbon-Free Economy,” “Digitalization,” “Changes in Working Culture.”

### **Struggling With Climate Change and Transition to a Carbon-Free Economy**

The financial sector’s position is directly proportional to the financial needs in the periods of struggling with climate change and adapting to climate change. The magnitude of the impact created by the finance sector with the resource providing function to other sectors makes its role also important to achieve the goal of keeping global warming below 1.5 degrees Celsius. For this reason, a separate topic is opened for the finance sector in many collaborations and platforms related to the climate change struggle. The Science-Based Target initiative (SBTi) recently published a science-based target guide specific to the finance sector in October 2020 due to long-term studies conducted with international financial institutions’ participation.



Besides, the European Union (EU) continued to take steps throughout 2020 within the framework of the EU Green Deal document announced towards the end of 2019. With the Green Deal, the EU aims to be the first climate-neutral continent until 2050 by means of slowing down global warming and mitigating its effects, whereas the net-zero emission target was among the prominent issues in 2020 for many economies such as China, Japan, South Korea, Argentina, and South Africa.

While 2020 is expected to be an important year in terms of the steps to be taken for the 2030 targets, 2020 passed with the fight against the global pandemic. However, natural disasters caused by climate change continued unabated around the world. Therefore, it can be assumed that pandemic-induced home closures and economic recessions are essential experiences of global changes due to climate change. It has ensured that climate change, which has been one of the critical topics on the agenda for a long time, maintains its importance during the pandemic. With the impact of climate change on natural resources, the transition to a carbon-free economy, carbon trade, clean energy resources, and business models that increase energy efficiency and reduce carbon emissions continue to be frequently discussed.

Being aware of the risks and opportunities created by all activities within the scope of mitigating the effects of climate change and adapting to its impacts, it is crucial to make it a part of the risk assessment process, considering the environmental and social risks in the projects financed within the framework of responsible banking understanding. Financial products designed with sustainability, which has an important place in creating sustainable and inclusive business models, enable institutions to be prepared for climate change's negative impacts and take advantage of time opportunities. In this context, Green Bonds are one of the main topics on the financial markets' agenda for a long time. The first of the Green Bonds issued by the European Investment Bank in 2007 was designed as a debt instrument to support the financing of renewable energy projects. Today, in addition to renewable energy, green bonds are issued for projects on environmental issues such as energy efficiency, clean transportation, and adaptation to climate change. While the green bond market proceeds to grow with each passing year, mainly the impact of the COVID-19 period is reflected in Sustainable and Social Bonds.

### Digitalization

Today, both customer demands and habits and the sector's requirements are the sources of the financial industry's indispensable relationship with digitalization. Technological investments, which are a distinguishing factor in sectoral competition, have increased their importance even more in the unexpected crisis period, the COVID-19 pandemic. Institutions that have previously made the necessary investment in digitalization have conducted the process one step ahead to access products and services for customers, including the smooth running of the work from home process for employees.

Businesses need to make their business models and organizational structures more flexible and agile to keep up with the accelerating change. Simultaneously, corporate culture having a system that encourages change and innovation has become imperative. Inevitably, businesses that do not have a corporate culture promoting change or whose business models are not flexible and agile will have adaptation problems in the face of disruptive technological developments.

Developments in the mobile, internet, artificial intelligence, internet of things (IoT), machine learning, autonomous and robotic technologies, systems that recognize and process audio and video, blockchain infrastructure fields, whose importance has increased even more in this period, will be among the technological developments that create radical changes in the financial sector in the coming period.

While the security problem is among the issues that rapidly developing technology brings along, it has become an increasingly critical issue for both customers and organizations with increased digital platforms during the COVID-19 process. For effective management of cyber risks, which spread over a wide area from unauthorized access to system corruption, from blocking services to the modification or destruction of information, systems must be designed according to prevention, preparation, and protection. It is thought that many cyber-attacks will be carried out based on artificial intelligence in the upcoming period. It will be impossible to defend against them only with human power, so artificial intelligence should also support defense methods.

### Changes in Working Culture

Employee loyalty and satisfaction are essential indicators for organizations to maintain qualified employees and attract newly qualified candidates. Thus, organizations try to create a corporate culture by developing practices to sustain employee satisfaction and activities related to this in their work areas. However, the COVID-19 era, during which many white-collar workers experienced the "work from home" process, caused a change in work culture. Although the studies predict a future where working culture can occur outside the office after a certain period, the pandemic has accelerated this process considerably.

The issue was handled quickly under both occupational health and safety and business continuity titles with the pandemic. All the necessary planning had to be performed while the process was going on. Similarly, the process of working from home, which is a new experience for employees, has brought work-related responsibilities to home in a period of increased home and family responsibilities.

This necessary change in the work environment will reflect more deeply on the work culture over time. This process, which will increase the use of technology in human resources applications and business processes, will bring family-friendly practices, employee loyalty, and satisfaction to institutions' agenda in terms of work-family balance.

**Technological investments, which are a distinguishing factor in sectoral competition, have increased their importance even more in the unexpected crisis period, the COVID-19 pandemic.**



<sup>(1)</sup> <https://www.avrupa.info.tr/tr/news/ab-yesil-duzen-10029>

# Our Material Topics and Sustainability Approach

To minimize the effects of the COVID-19 pandemic that unsettled the whole world, we have introduced many products and services to companies and households since March 2020.

## Our Sustainability Approach

Since we commenced our operations on April 13, 1954, we proceed to deliver essential contributions to the growth and development of the country's economy with the mission of continuously increasing the values we add to our customers, employees, shareholders, and society by effectively and efficiently managing the assets and values entrusted to us by the strength we derive from the foundation culture.

Today, with the management and working mentality required by modern banking, we serve our customers through the products and solutions we offer in Corporate, Commercial, SME, Local Governments and Agricultural Banking, Retail, and Private Banking. In addition to our core banking products, we are also engaged in investment banking and capital market activities; we have been offering financial products widely ranging from leasing to factoring services to our customers through our financial subsidiaries with the high technology required by the age. Besides, we continue to play an active role in international markets with the long-term and affordable funds we provide from abroad.

To minimize the effects of the COVID-19 pandemic that unsettled the economy globally, we have offered many products and services to companies and households since March 2020. In this period during which we recognized the importance of adapting to the changing conditions, having a dynamic structure, and being strong in technology, we implemented many projects in a short time using our own resources.

As a long-established institution aiming to make a difference for society with our banking activities and our social responsibility projects, our sustainability approach is to leave a more livable world to future generations with our efforts. In this context, the authority to coordinate our sustainability practices effectively and swiftly lies within the Corporate Governance Committee, which is our Bank's top decision-making and responsible management. Believing that faster decision-making will add dynamism to our sustainability journey, we established the Sustainability Working Group as the supporting structure that operates under this committee. Our Group monitors performance by integrating these strategies and policies into the Bank's activities and formulating sustainability strategies and policies in economic, social, and environmental areas. Besides, we support sustainability efforts through the Sustainability Service and the Environmental Management Service and operate to ensure internal participation. You can find detailed information about our policies [here](#).



Within the scope of our quality-oriented growth strategy, we completed the ISO 9001: 2015 Quality Management System in 2017. First, we harmonized the Head Office units' banking processes and all branches with the ISO 9001 Quality Management System. We documented them with the "ISO 9001: 2015 Quality Management System." In line with our principle, "Sustainable development can only be possible with a sustainable environment," in 2017, we also certified the "ISO 14001: 2015 Environmental Management System certificate" that our banking activities minimize the direct impact on the environment line with international standards. In this context, we have ensured that all VakıfBank employees work in ISO 14001 certified buildings in 2020, with our certification studies, which we have been continuing since 2018. In the 2018 OHSAS 18001 Occupational Health and Safety Management System Certificate in Turkey, we became the first bank. ISO 45001: 2018, the world's first international standard published on March 12, 2018, will replace OHSAS 18001, and all organizations with OHSAS 18001 certification were required to transition to this standard within three years from the date of publication of the standard. As VakıfBank, we completed the certification studies during the transition period during this period. We were entitled to receive the ISO 45001: 2018 Occupational Health and Safety Management System Certificate. You can find detailed information about our certificates [here](#).

We take part in international platforms with our sustainability efforts and lead the industry by breaking ground. We are the first Turkish public institution to announce its commitment to reduce carbon emission by participating in the Science Based Targets initiative, which many international pioneering organizations lead to contribute to the fight against climate change, one of the most critical global environmental problems of today. Thus, we aim to bring international standards to our activities and continue integrating sustainability into our corporate strategy for a more livable future by increasing our environmental, social, and managerial performance. In this context, we have been participating in the Carbon Disclosure Project (CDP) Climate Change Program since 2015 and share our climate change strategy, governance, risk management, and carbon emission amount and our targets on these issues with international investors and the public. We managed to keep our carbon emissions in 2019 at the level of 53,413 tCO<sub>2</sub>e by performing sensitive energy and emission management.

**With a pioneering step we took this year, we became a Carbon Negative organization by purchasing '55,000 Verified Carbon Units' produced from clean energy sources and balancing more than our total greenhouse gas emissions in return for this amount verified by ISO 14064 certification.**

We offer our sustainability products, which constitute one of the most critical components of our sustainability approach, **to our customers' use to support socio-economic development by taking into account all society segments.** Thus, we ensure our customers' strengthening and contribute to social development with the financial support we provide for various groups such as local administrations, SMEs, and the agricultural sector.

With the awareness that our most significant impact in the environmental and social field is through financing, we consider it our responsibility to evaluate the social and ecological implications of the projects we finance. We concentrate on increasing our positive indirect impact with the tasks we invest in. In the loan allocation processes we commenced in 2020, **we endeavor to complete the Environmental and Social Risk Management System's establishment, primarily for Corporate Loans and Project Loans, by the end of 2021.** After the system is established for these segments, we plan to develop it to include the entire loan portfolio with the impact of the capacity development within the Bank.

As a pioneering and active bank in international markets, with the awareness of the importance of sustainable banking in accessing international funding sources, we take essential steps, complete the necessary preparations, and aim to seize opportunities depending on market conditions. In this context, we prepared the Sustainable Finance Framework Text to form a basis for the issuance of Green Bond and/or Sustainable Eurobond ("Sustainable Bond") and realized the first sustainable Eurobond issuance. Besides, we carried out a dedicated study in the evaluation methodology of Sustainalytics, one of the leading independent global companies in providing Sustainable Banking, Environmental, Social, Corporate governance research, and rating services to investors. After this study, we moved our ESG (Environmental, Social, Governance) risk rating score from 30.1 (high risk) to 23.1 (medium risk). We were in the 11% (37 out of 373) segment in the diversified banking sector.

We maintain our collaborations in national and international platforms within the scope of our efforts to create value in a sustainable economy, society, and environmental issues. We are among the UN Global Compact participants, the world's largest sustainability initiative before the United Nations. **We are the first Turkish public institution to sign the Women's Empowerment Principles (WEPs).** We were selected for the second time with a higher score **in the Bloomberg Gender-Equality Index (Bloomberg GEI)**, which conducted the most significant gender equality research globally and maintained its continuity in the index in 2021. We conducted a gender equality survey in 2020 to hear all our employees' views and expectations, including senior management, on gender equality, which is among the Sustainable Development Goals and has an important place in the agenda of the world, and to identify areas that need improvement.

**Determining our materiality is the starting point of your sustainability approach.**

## Our Material Topics and Sustainability Approach

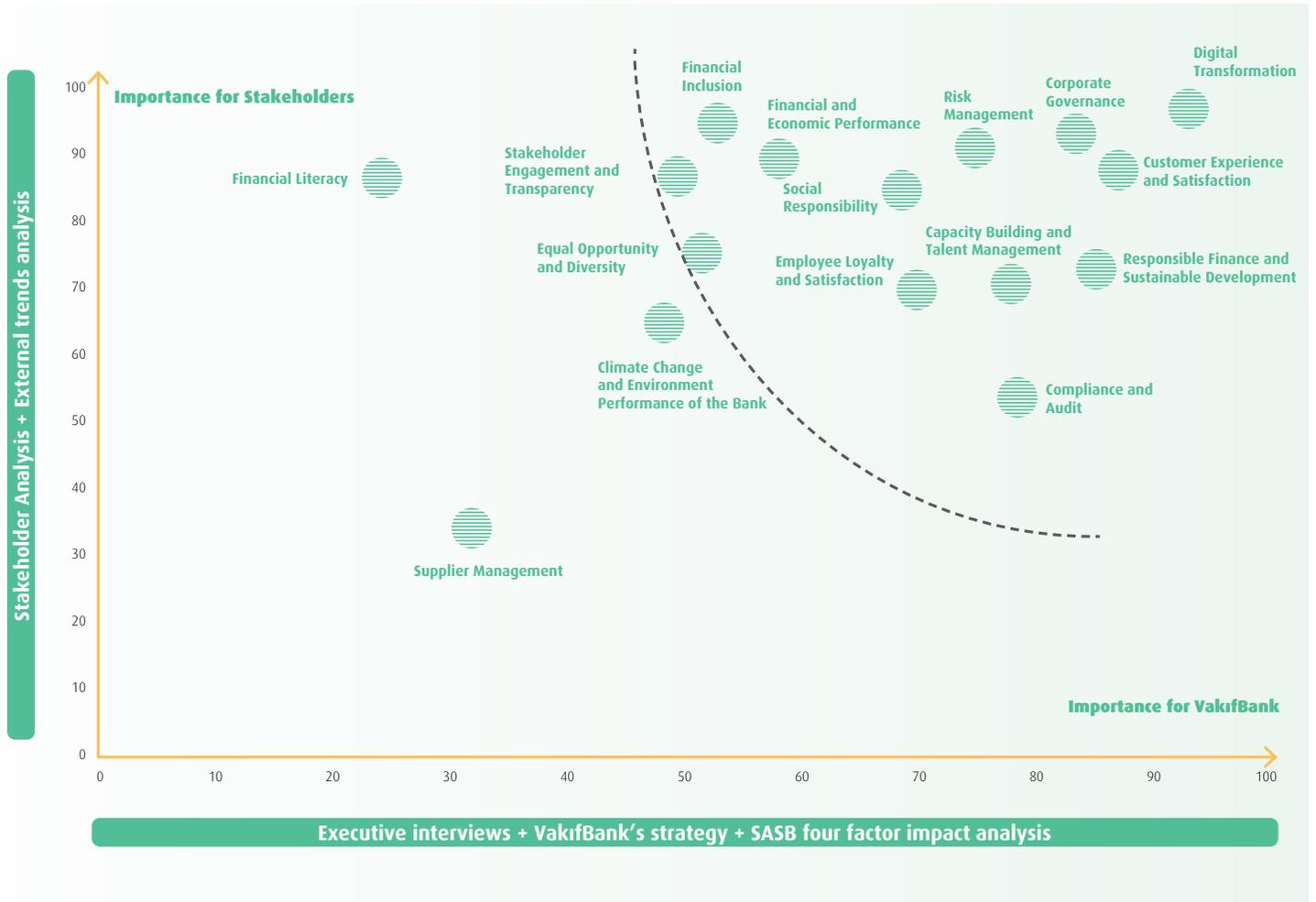
With this report, we were deemed worthy of two gold awards in “Photography” and “Interior Design” branches and two silver awards in “Annual Specialized Report” and “Environment Friendly” branches within the scope of ARC Awards International organized by Mercomm.

We attach importance to explaining our performance with transparency. As a result, we maintain our place in the index since 2014, when the BIST Sustainability Index was created. Since 2017, we have been involved in the FTSE4Good Emerging Markets Index, which responsible investors primarily follow. For the **Dow Jones Sustainability Index (DJSI) survey**, which is the first sustainability index applied on a global scale and evaluated the management quality and potential future performance of leading companies around the world by integrating the sustainability criteria into traditional financial analyses; we continued the action steps and development studies to increase our performance this year. We plan to continue participating in the survey voluntarily in the upcoming periods. In addition to these, **we take part in the ERTA Executive Board as a member of the Integrated Reporting Turkey Network (ERTA), which conducts awareness-raising activities to spread integrated thinking in Turkey.**

In addition to our financial performance, we published our first Integrated Annual Report in 2020, which includes our approach and performance in economic, environmental, and social areas and our Bank’s value creation model. Our report, which has an important place in our communication with our stakeholders, is in line with the **International Integrated Reporting Council (IIRC) framework**. With this report, in which we evaluate our financial and non-financial performance holistically with our sustainability approach and share our future strategies, we were deemed worthy of two gold awards in “Photography” and “Interior Design” branches and two silver awards in “Annual Specialized Report” and “Environment Friendly” branches within the scope of **ARC Awards International** organized by Mercomm.



## Our Sustainability Material Topics



## Our Material Topics and Sustainability Approach

**We define determining our materiality, as the starting point of your sustainability approach.**

### **Determining the Materiality**

We define determining our materiality, as the starting point of your sustainability approach. With this perspective, during the first Integrated Annual Report studies in 2019, we shaped our material topics by taking our stakeholders' opinions with the Stakeholder Dialogue studies that we conducted under the moderation of an external expert consultant organization. Details on the Stakeholder Dialogue 2019 process can be found in our [2019 Integrated Annual Report](#).

This year, based on the Stakeholder Dialogue analysis we conducted in 2019, we reassessed our materiality within the framework of our Bank's strategy, global and sectoral trends, risks and opportunities, and our managers' views. Besides, we have taken into account the internationally guiding principles and outputs in the field of sustainable development, such as the interviews we have with our managers in different units, trends that drive the industry, the United Nations Sustainable Development Goals, the United Nations Global Compact, CDP, Task Force on Climate-related Financial Disclosures (TCFD).

In the light of these studies, we also evaluated our material Sustainable Development Goals that we resolved together with our material topics, and concluded our focus Sustainable Development Goals as Quality Education, Gender Equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, and Reducing Inequalities.



**The Relation of Our Material Issues with Capital Components and UN Sustainable Development Goals\***

The Sustainable Development Goals (SDGs) being accepted by 193 member countries of the United Nations in 2015 is a call for action towards a common future of our planet. These goals are one of the guides among our sustainability approach. Within this scope, we care to contribute to UN SDGs with our operations.

Material Topics	Related UN SDGs	Related Capital Items
Capacity Building and Talent Management	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 RECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES	Human Resources, Governance, Social Responsibility
Climate Change and Environment Performance of the Bank	6 CLEAN WATER AND SANITATION, 13 CLIMATE ACTION, 15 LIFE ON LAND	Environmental, Social, Governance
Compliance and Audit	8 RECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Legal, Governance, Social Responsibility, Environmental
Corporate Governance	8 RECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Human Resources, Governance, Social Responsibility, Environmental
Customer Experience and Satisfaction	8 RECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES	Human Resources, Governance, Social Responsibility
Digital Transformation	8 RECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS	Human Resources, Governance, Social Responsibility, Environmental
Employee Loyalty and Satisfaction	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 RECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES	Human Resources, Social Responsibility
Equal Opportunity and Diversity	5 GENDER EQUALITY, 8 RECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES	Human Resources, Social Responsibility
Financial and Economic Performance	8 RECENT WORK AND ECONOMIC GROWTH	Human Resources
Financial Inclusion	5 GENDER EQUALITY, 8 RECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES	Human Resources, Governance, Social Responsibility
Financial Literacy	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 RECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES	Human Resources, Social Responsibility, Environmental
Responsible Finance and Sustainable Development	2 ZERO HUNGER, 5 GENDER EQUALITY, 6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 8 RECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS	Human Resources, Governance, Social Responsibility, Environmental
Risk Management	8 RECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS	Human Resources, Social Responsibility, Environmental
Social Responsibility	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 10 REDUCED INEQUALITIES, 17 PARTNERSHIPS FOR THE GOALS	Human Resources, Governance, Social Responsibility
Stakeholder Engagement and Transparency	8 RECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Human Resources, Social Responsibility
Supplier Management	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 8 RECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Human Resources, Social Responsibility, Environmental

\* In alphabetical order according to the material topic in the table.

## Our Value Creation Model

**Our qualified human resources have the greatest role not only in achieving our Bank's strategic goals and competitive advantage, but also in the adoption of innovative, creative, flexible and knowledge-based management style that is the necessity of global competition.**

As a bank; we identified the main values we created as a result of our activities as "Widespread Access to Finance," "Sustainable Development," "Innovative Approach" and "Capacity Building."

**We offer "widespread access to finance" thanks to our extensive branch and ATM network, our products and services as well as our mobile, internet and telephone banking** which we provide with the support of our constantly renewed technological infrastructure.

As the representative of a well-established tradition and experience in the banking system of our country, we aim to leave a more livable world for the next generations with our activities in sustainable banking, while continuing our efforts for the growth, development and integration of the national economy for 65 years. For this reason, **we manage our economic, environmental and social performance in a way that creates value and benefit for all our stakeholders by including "sustainable development"** among the focus of our value creation model.

As a bank in the age of global competition and the service sector, **we think that the "innovative approach" is a necessity of being permanent.** Change and transformation, which are the results of an innovative approach, are also an important part of our Bank culture. In our products, the technology we use, the way we conduct business, our human resources practices and brand management, we consider the up to date conditions and fulfill the requirements of the age. We are aware of the importance of digital transformation for the financial sector in our age, when technological developments have changed the way of life. For this reason, with our belief in the necessity of developing technology and moving with technology, we continue our digital transformation works intensively by taking into account both customer and employee feedback.

We believe that our qualified human resources have the greatest role in achieving our Bank's strategic goals and being competitive and we adopt the innovative, creative, flexible and knowledge-based management style that is the necessity of global competition. **For this reason, we care about "capacity building" and invest in our human resources in order to develop new competencies in the financial sector, adapt to technological developments and respond to different expectations of customers.**

We put importance to the continuous improvement of our business model in order to ensure that it is compatible with the transformation in the banking sector and with the change created by global competition and technological developments. We call our process to achieve this as the "Continuous Improvement Cycle" and in this process; we manage all our activities effectively and efficiently; and pay attention to continuously increase the value we add to our stakeholders.

While doing our job, we care about the issues below;

- Our Well-established Corporate Culture with 66 years of banking experience,
- Our Strong Financial Performance, which is the result of our leading banking practices,
- Our Effective Risk Management, which plays an important role in long-term sustainable growth,
- Ethical Business and Full Compliance, in our sector of where trust is the most important value.
- Customer Experience, which we consider as the main factor for the continuity of our bonds with our customers, which plays a key role in the continuity of our business and successes,
- Digital Transformation, which has an important function in developing the services we offer to our customers and improving the customer experience,
- Fast and Quality Service we provide with our extensive branch network, expert staff and modern information technology ability,
- Happy Employee, High Belonging, which are the guarantee of our qualified human resources,
- Corporate Social Responsibility aiming to provide social benefit.

We carry out our activities, in other words, our business model in an external environment that includes economic conditions, technological changes, social problems and environmental challenges. This external environment has an impact that creates both risk and opportunity for our business model. Therefore, we consider the effects of the external environment on our ability to create value.

We are aware that an organization's ability to create value for itself is linked to the value it creates for all its stakeholders. For this reason, we have benefited from our stakeholders' opinions in multiple stages before finalizing our value chain and shape. In order to get information about the importance of the issues our ability to create value for our stakeholders and to understand their perception of value, we held a stakeholder dialogue with the moderation of a third-party consultant firm. Stakeholder dialogue is an important data in determining the material topics for our Bank, which affects our value creation model (You can find detailed information on this topic from the section of our report entitled "[Our Material Topics and Sustainability Approach](#)").

We believe in the necessity of keeping up with the trends that effect our business model in order to perpetuate our creativity and keep it at the highest levels. We also follow the global trends that are decisive in the World and in the banking sector so as to be permanent in the globalized competitive environment (In the section of the report entitled "[The World and Turkey in 2020](#)," you may find further information on this topic.).

Another benefit of following the trends is that it enables us to identify the risks and opportunities that may concern our Bank, and in this way, it is a supportive factor in terms of designing more sustainable and more inclusive business models as well as improving our ability to create value. With the analyses we make, we also evaluate the probability of realization of the risks and opportunities that concern our Bank and we make the necessary planning to be ready for the probable negative effects and to catch the opportunities. (In the "[Trends and Highlights in Banking Sector](#)" section of our report, you can find detailed information on this topic.).

One of our important pillars in managing the developments progress in our external environment is our Corporate Governance, which acts with a good governance understanding. Our senior management is structured in compliance with Corporate Governance Principles. In addition, we can take the necessary actions quickly by effectively managing risks with our Board of Directors, senior management committees, risk management system, compliance and audit system. (You may find detailed information on this topic from the section of our report entitled "[Corporate Governance](#)").

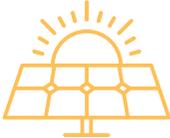
## Value Created for Stakeholders

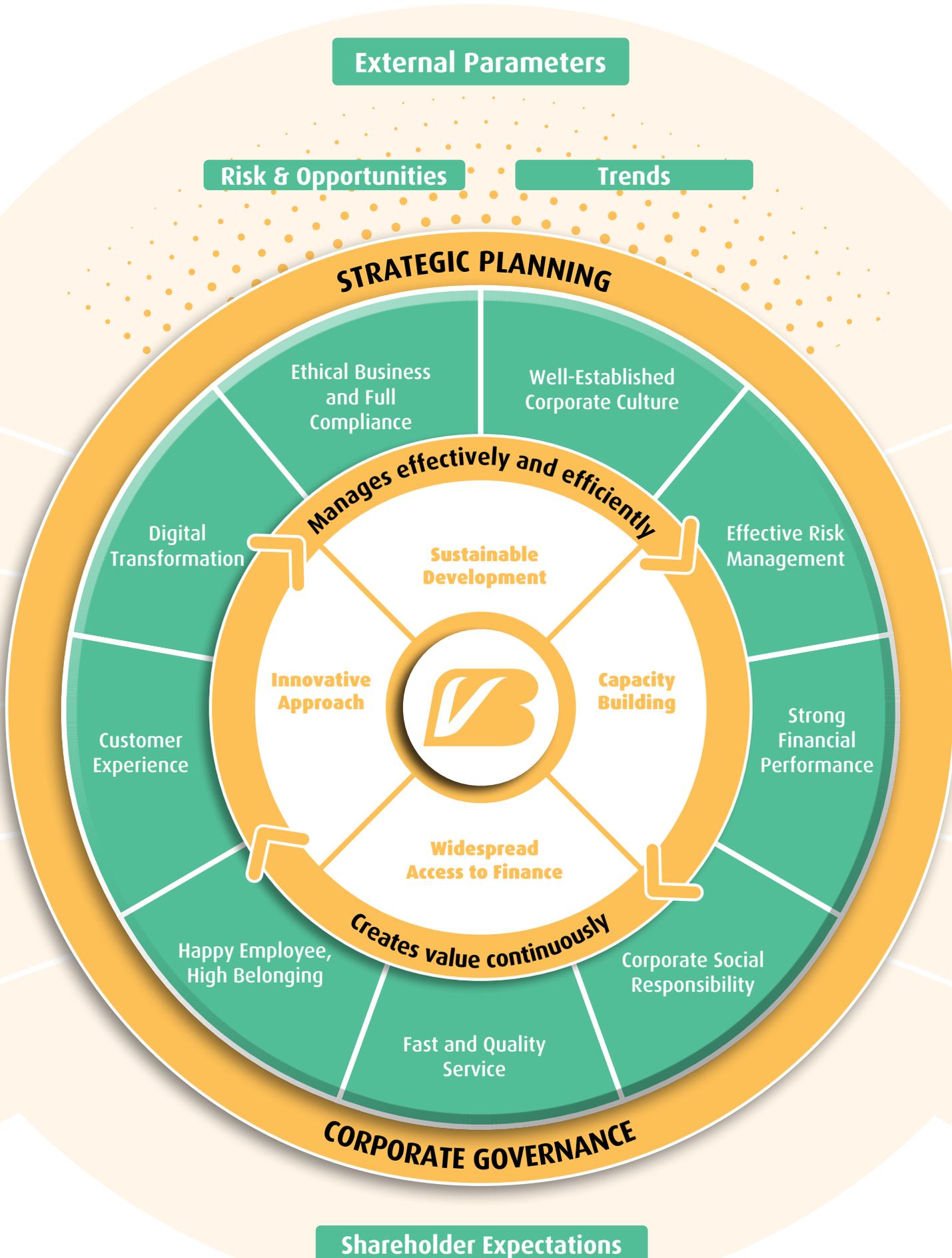
**We are aware that an organization's ability to create value for itself is linked to the value it creates for all its stakeholders. For this reason, we have benefited from our stakeholders' opinions in multiple stages before finalizing our value chain and model.**



## Our Value Creation Model

### Inputs

	<b>FINANCIAL CAPITAL</b>	<ul style="list-style-type: none"> <li>Strong Capital Structure</li> <li>Sustainable Growth</li> <li>Efficient Resource Management</li> </ul>	
	<b>MANUFACTURED CAPITAL</b>	<ul style="list-style-type: none"> <li>Advanced Branch and ATM Network</li> <li>Widespread Access to Finance</li> <li>Strong Technological Infrastructure</li> </ul>	
	<b>INTELLECTUAL CAPITAL</b>	<ul style="list-style-type: none"> <li>Digital Transformation</li> <li>Investment in Information Technologies</li> <li>Digitalization in Branch Operations</li> <li>Well-Established Corporate Culture</li> </ul>	
	<b>HUMAN CAPITAL</b>	<ul style="list-style-type: none"> <li>Investment in Human Resources</li> <li>Equal Opportunity</li> <li>Healthy Work and Life Balance</li> <li>Safe Working Environment</li> </ul>	
	<b>SOCIAL AND RELATIONAL CAPITAL</b>	<ul style="list-style-type: none"> <li>Improving Customer Experience</li> <li>Customer Relations Management</li> <li>Support to Turkish Sports</li> <li>Education and Culture</li> </ul>	
	<b>NATURAL CAPITAL</b>	<ul style="list-style-type: none"> <li>Measuring Environmental Impact of Our Bank</li> <li>Financing Renewable Energy Projects</li> <li>Responsible and Green Loan</li> <li>Digitalization in Operations</li> </ul>	



## Outputs



	2019	2020
Change in Asset Size	27%	67%
Total Cash and Non-Cash Loans	TL 352 Billion	TL 523 Billion
Total Deposits	TL 252 Billion	TL 414 Billion
Long Term Borrowings	TL 60 Billion	TL 66 Billion
Changes in Shareholders' Equity	16%	41%
Capital Adequacy Ratio	16.61%	16.44%



	2019	2020
Number of Branches	943	936
Number of ATMs	4,245	4,247
Number of Recycle ATMs	822	949
Number of Robotic Process Automation Application	16	32
ATMs for Barrier-free Life	3,955	3,978
Share of Transactions from ADCs	94%	96%



	2019	2020
New Products/Services Launched During the Year	8	11
The Number of Products/Services with Trademark Registration in 2020	10	10
Number of Customers Gained with Digitalization	1,082,546	2,351,524
Total Number of Customers in Digital Channels	5,482,338	7,833,862
The Ratio of the Number of Employees of 10 or More Years to the Total Employees	35.14%	39.95%
Rate of Filling Top Positions with in-bank Promotions	94.50%	100%



	2019	2020
Number of Employees	16,835	16,748
Rate of Female Employees	50.85%	50.62%
Number of Employees Still Working 12 Months After Returning to Work from Maternity Leave (Female)	99.57%	99.84%
OHS Training Total Hours	52,422	14,198
Employee Turnover Rate	1.87	1.65
Average Training Time Per Employee (Hour)	58.60	46.97
Share of Digital Trainings in Total Trainings	58.34%	79.15%



	2019	2020
New Customers Gained	1,181,034	1,989,421
Number of Participants in Agricultural Talks	2,500	150
Total Amount of Mechatronics, Mind Games and Artificial Intelligence Workshops	39	54
Books Published under VakıfBank Culture Publications	18	50
Awards Received in Sports Field	3	5



	2019	2020
Total Locations holding ISO 14001 Certificates	522+1	All Bank Locations
Energy Consumption per Employee (MWh/person)	5.86	5.72
Amount of Paper Saved (Tons)	51.55	85.63
Volume of Finance in Renewable Energy Projects	TL 1.4 Billion	TL 2.1 Billion

## Our Performance Indicators by Capital Elements

	2019	2020
Asset Growth Rate	26.58%	66.63%
Performing Loans Growth	23.99%	53.59%
Commercial Loans Growth	22.97%	50.35%
Retail Loans Growth	27.37%	63.97%
Total Deposits Growth	40.20%	64.61%
Net Fee-Commission Income Growth	73.50%	-14.67%
Non-Performing Loans Ratio	5.93%	3.97%
Non-Deposit Sources / Total Liabilities	21.34%	16.02%
Capital Adequacy Ratio	16.61%	16.44%
Other Operational Expenditures/Operational Income	35.78%	32.99%

	2019	2020
Number of Branches	943	936
Number of ATMs	4,245	4,247
ATMs for Barrier-free Life	3,766 – Visually Impaired 1,830 – Physically Challenged	3,978 - Visually Impaired 1,813 - Physically Challenged
Share of Transactions from ADCs	94.00%	95.92%

	2019	2020
Number of Mobile Banking Customers	4,599,677	6,982,828
Share of Digital Channels in Total Transactions	86.41%	86.16%
Number of ATM Transactions without Card	8,069,481	12,367,584
Number of transactions made with QR Code	3,245,273	7,663,379
ATM Transaction Volume without Card	4,489,443,790	10,144,819,241

	2019	2020
Number of Employees ✓	16,835	16,748
Newly-Recruited Employees	615	370
Employee Turnover Rate ✓	1.87	1.65
Female Employee Rate ✓	50.85	50.61
Average Years of Seniority	9.29	9.97
Average Training Hours per Employee ✓	58.6	46.9
Share of Digital Trainings in Total Training Hours ✓	58.34%	79.15%
Number of Employees Attended Information Security Training	14,533	450

	2019	2020
Total Number of Active Customers	18.9 million	20.9 million
Rate of Received/Resolved Complaints	98.47%	99%
Number of Events	58	42
Number of Mechatronics, Mind Games and Artificial Intelligence Workshops	39	54
Awards Receive in Year	16	18

	2019	2020
Amount of Paper Used	469 Tons	383 Tons
Total Locations Holding ISO 14001 Certificates	522 + 1 (Head Office)	All Bank Locations
Number of Renewable Energy Projects Financed ✓	37	28
Scope 1+2 Emissions ✓	48,171 Tons	36,726 Tons

## Our Medium and Long-Term (3 To 5 Years) Goals

	Material Topics	Related UN SDGs	Related Capital Items
We will continue to effectively fund the financial needs of the real sector and households.	Responsible Finance and Sustainable Development		
We will continue our efforts to make systemic improvements and increase personnel awareness within the scope of ISO 14001 Environmental Management Certificate.	Climate Change and Environmental Performance of the Bank		
Within the scope of our bank's quality-oriented and responsible growth strategy, we aim to manage the ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 occupational Health and Safety Management System practices we plan to receive in an integrated manner.	Climate Change and Environmental Performance of the Bank		
We will continue to expand our investor base by effectively sustaining our communication with equity and fixed income investors.	Stakeholder Engagement and Transparency		
We will organize e-learning trainings to raise awareness on ISO 9001 Quality Management System and ISO 14001 Environmental management System.	Capacity Building and Talent Management		
We will continue our efforts to make our value-creation activities for sustainable economy, society and environment more visible on national and international platforms.	Responsible Finance and Sustainable Development		
We will carry out our activities to play an active role in the market in responsible and green financing areas to create investment opportunities in our bank that can provide permanent value for investors.	Responsible Finance and Sustainable Development		
We will continue our efforts to improve our score on local international sustainability indices	Corporate Governance		
We will steer our efforts to ensure our continuity in the sustainability indices in which we are currently listed (BIST Sustainability Index, FTSE4Good Emerging Markets Index and Bloomberg Gender Equality Index) and to take part in other accepted sustainability indices	Equal Opportunity and Diversity		
We aim to increase the share of transactions made through non-branch channels and the share of digital channels in total transactions	Digital Transformation		

**Within the scope of the paperless banking project, we will continue to move all our processes to digital by avoiding paper consumption.**

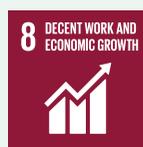
	Material Topics	Related UN SDGs	Related Capital Items
Being the first Turkish public bank to announce that it will make a commitment to reduce carbon emissions within the scope of the Science Based Targets initiative, which is carried out under the leadership of many international pioneer organizations to contribute to the fight against climate change which is one of the most important global environmental problems of today, we will continue to provide international standards to our facilities to strengthen our reputation with global investors	Climate Change and Environmental Performance of the Bank		
We will continue to improve our practices in the field of Open Banking.	Digital Transformation		
We will continue to make cultural transformation programs that support digital transformation	Capacity Building and Talent Management		
We will continue to improve our practices in the field of Open Innovation.	Digital Transformation		
We aim to examine in detail the end-to-end experience of "Being a member of VakıfBank" and to improve customers' experiences at interaction points with our journey map designs.	Customer Experience and Satisfaction		
Within the scope of the paperless banking project, we will continue to move all our processes to digital by avoiding paper consumption.	Digital Transformation		
We plan to increase the share of "personalized and adaptive learning" applications in our learning ecosystem through digital platforms, which will support our training programs that we offer with the mixed learning model and facilitate the development of our employees.	Capacity Building and Talent Management		
We aim to integrate the mobile banking application into the digital shopping ecosystem.	Digital Transformation		
We will continue our efforts to increase customer satisfaction.	Customer Experience and Satisfaction		



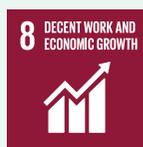
# OUR FINANCIAL CAPITAL

## Material Topics & SDGs

### Financial and Economic Performance



### Responsible Finance Sustainable Development



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**RISKS**

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Changing laws and regulations

Disruptive technological advances and cyber security risks

*Uncertainties caused by economic fluctuations*

*Rapid change in customer and investor expectations*

*Effects of climate change-induced disasters on financials*

*Investors' expectations on the loan portfolio during the transition to a low carbon economy*

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**OPPORTUNITIES**

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Strong support of regulatory and supervisory authorities to the financial sector

Creating competitive advantage in the sector with competent human resources and investments in digitalization

Reducing marketing costs and increasing product diversity thanks to effective digital transformation

Having a geographical location which is a center of attraction in many areas from finance to transportation, from trade to tourism.

Easy access to international resources with contributions to deepening of capital markets and increasing product diversity

*Strong brand image facilitating new customer acquisition*

*Increasing interest in responsible finance*

*The goal of taking an active role in the transition to a low-carbon economy by effectively managing the risks and opportunities created by climate change*

*Diversifying and increasing the sustainable loan portfolio with the projects developpe*

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## Change in Total Assets

**67%**

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## Total Amount of Cash & Non-Cash Loans

**TL 523 Billion**

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## Capital Adequacy Ratio

**16.44%**

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## Financial and Economic Performance

**We became the second-largest bank in Turkey. In 2020, we expanded our commercial loans by 50% and our retail loans by 64%.**

### VakıfBank Commercial Loan Growth Rate

# 50.35%

As VakıfBank, we have taken sustainable development, capacity building, widespread access to finance, and an innovative approach at our value creation model's focus. As VakıfBank, we proceeded to support sustainable development in 2020. With our widespread access to finance, we have always continued to stand by our customers. During this period, we increased our assets by 67% to TL 698,897 million. Thus, we became the second-largest bank in Turkey. In 2020, we expanded our commercial loans by 50% and our retail loans by 64%. We stood by every segment of society. We continued to consistently increase our support to the real sector through the loans we provided. Thus, the support we provide to the national economy through cash and non-cash loans exceeded TL 523,279 million in 2020. During the pandemic period, we worked with all our strength to ensure that the financial system works and the resources are used in the right areas. While leaving this problematic year behind, we managed to increase our market share in almost every field.

We increased our total deposits by 65%, well above the sector, to TL 414,044 million on the funding side. On the non-deposit funding side, we maintained our leading position in international debt capital markets. The share of our non-deposit resources in total liabilities was 16%. In this period, we have provided resources equivalent to USD 5.1 billion in total by continuing our medium and long-term diversified international funding to support the national economy and our customers. We will focus on new and different alternatives in non-deposit financing in the upcoming periods and maintain our pioneering position in this field. Besides, in this period, we developed new products to provide better service to our customers with our innovative approach. With our widespread access to finance, we made our products available to our customers. All these developments played an important role in our Bank's customer acquisition. During this period, our total number of active customers exceeded 20 million.





### Direct Economic Value Generated and Distributed

Direct Economic Value Generated and Distributed (TL Thousand)	2017	2018	2019	2020
<b>Direct Economic Value Generated</b>				
Revenues (Net Operating Incomes)	11,883,393	15,910,769	18,495,899	27,172,702
<b>Distributed Economic Value</b>				
Operating Expenses	4,420,728	5,873,337	6,618,617	8,963,811
Employee Salaries and Fringe Benefits	1,768,758	2,191,782	2,837,255	3,334,128
Payments to the Capital Providers (Dividend)	125,000	0	0	0
Payments to the Government (Current Tax Payment)	792,677	745,141	1,715,496	1,899,145
Spending on Community Investments	4,729	4,921	3,194	85,843

VakıfBank contributes to the development of the financial system by sharing opinions with the relevant institutions and organizations regarding tax issues.

## Easy Access Power to International Resources

**In 2020, we broke another new ground, successfully completing the first Sustainable Eurobond issued by deposit banks.**

**We collected a USD 4.3 billion demand from global investors for the Eurobond issuance, which is the largest volume single bond issue in VakıfBank's history.**

In 2020, despite the challenging market conditions due to the COVID-19 pandemic that hit the world, we obtained a total of USD 5.1 billion from international markets. These operations carried out in foreign capital markets reveal the reputation and credibility of Turkey and VakıfBank before international investors.

As the most active Turkish bank using long-term and cost-effective international funding instruments under different structures in 2019, we became the first Turkish Bank to issue Eurobonds in 2020. On February 5, 2020, we made a new issuance with a 5-year maturity of USD 750 million with a coupon rate of 5.25%. We collected a demand of USD 4.3 billion from investors worldwide for the operation, which **is the largest one-time bond issue** in the bank's history. High quality and robust demand from portfolio managers making long-term investments in continental Europe, the Middle East, and Asia, especially Britain and America, played an essential role in the operation's success. We plan to issue bonds at the lowest possible cost by closely following international markets' developments to issue a new Eurobond under the GMTN Program in 2021, as we do every year.

Besides, "Green Bond and/or Sustainable Bond" has been used as a funding tool in developed country markets, especially in Europe, for many years to evaluate the opportunities related to different funding alternatives in foreign capital markets. We have conducted researches for issuance since 2019 and exchanged ideas with banks with international experience. As of May 2020, we have completed the Eurobond works in question and identified the projects and loans in our Bank's portfolio that can be financed within the issue's scope. Under the international legislation, the potential credit pool, our Bank's general credit policies, and its environmental and social approach were examined in detail. The independent audit report (Second Party Opinion) and ESG risk rating report from Sustainalytics, one of the leading companies in the world, were provided in June. Besides, we prepared a "Sustainable Financing Framework" regarding the subject and published it on our website.

Thus, we lead the way in completing the first Sustainable Eurobond issued by deposit banks on December 8, 2020. The issuance yield of USD 750 million with a 5-year maturity was actualized as 6.625%, and the coupon rate was 6.5%. It attracted great interest from international investors from many continents. A demand of over three times the operation size was collected. High demand occurred for the operation, primarily from the Continental Europe-based funds focused on the environmental-social approach, so we reached out to investors who only invest in sustainable Eurobonds, which provided new resources to our country.

The financing obtained within the bonds' scope, as mentioned earlier, will be used for renewable and sustainable energy projects with high environmental sensitivity, green housing loans, and employment support and continuing work loans for SMEs, which meet specific criteria under the "Sustainable Financing Framework."

In addition to the above mentioned Eurobond operations, again under the Medium Term Note Program (GMTN), by carrying out allocated sales operations for qualified investors abroad with a maturity of 3-12 months in 16 different operations during 2020, we rank the first in Turkey with the highest amount of bond issuance.

Besides, with a decision that sets a precedent for the Turkish banking sector, by breaking new ground in January 2015, it is **the first Basel 3-compliant subordinated bond of Turkey** with a maturity of 10 years and an early redemption option at the end of the fifth year, amounting to the USD 500 million. We reinforced the positive investor perception by using the recall option for issuing. We completed the recall process by making an investor notification on December 23, 2019, and paying back the bond on February 3, 2020.

In April 2020, even when we were going through a period when the coronavirus pandemic's pressure on real economies, markets, and daily life was felt very clearly, we provided a syndicated loan of USD 950 million with the contribution of 33 international banks from four continents. The renewal rate of the syndicated loan provided for foreign trade financing was 90%, the highest rate among rival banks, with five new banks' participation.

In November 2020, with 26 banks from 17 countries, we signed the second syndication loan agreement of the year with a total amount of USD 160 million and EUR 421 million. We obtained new funds from abroad with a 109% rollover ratio. Thus, we became the only bank among the rival banks to realize a rollover ratio above 100%. Our total syndicated loan balance reached USD 1.7 billion.

With the spread of the COVID-19 pandemic in our country as well as all over the world since the beginning of March, we signed the Emergency Company Support Project Loan Agreement with the World Bank on September 9, 2020, under the Republic of Turkey Ministry of Treasury and Finance guarantee, to provide USD 250 million financing to the companies most affected by the crisis. With the project within the scope of this resource, we have procured with a 23-year term 7-year of which is non-refundable; finance will be supplied in three different categories;

*a) SMEs that experienced a 20% decrease in their gross sales in the second quarter of 2020 compared to the same quarter of the previous year will be financed,*

*b) Financing will be provided for young businesses under the age of 5, women-owned or managed companies, and activities in rural areas and*

*c) Companies that keep up with the changes in business models due to the pandemic (companies that implement new products and services, new marketing channels, and new business solutions by increasing digitalization and automation with innovations to improve workplace cleaning, health monitoring regulations, social distance) will be financed, and 80% will be used by the first two groups and 20% to the third group.*

Firms with less than 250 employees are considered SMEs within the scope of the project. In the project, an Environmental and Social Risk Management System will also be established to determine companies' environmental and social risks using loans. **We proceed to work on the establishment of an Environmental and Social Risk System. We primarily aim for the system to be established for Corporate Loans and Project Loans to be operational by the end of 2021.** After the system is based on these segments, we plan to develop it to include the entire loan portfolio with the impact of the capacity development within the Bank.

On the other hand, we reached an agreement with the French Development Agency (AFD) on the financing of new and pre-owned houses with A and B energy identity certificates within the scope of the Green Mortgage project. At the AFD Board of Directors Meeting held on October 8, 2020, it was determined to allocate EUR 200 million to our Bank. In this context, we signed the loan agreement on December 17, 2020, for the resource to be obtained with a maturity of 10 years in total, with a 3-year grace period, for EUR 200 million. **Meanwhile, this agreement bears the distinction of being the largest sized Green Mortgage Project provided by a bank in the Turkish banking sector.**

We proceed to cooperate with the European Investment Bank (EIB), the World Bank, the European Bank for Reconstruction and Development (EBRD), the German Development Bank (KfW), and the French Development Agency (AFD) to support the real sector with long-term and cost-effective resources.

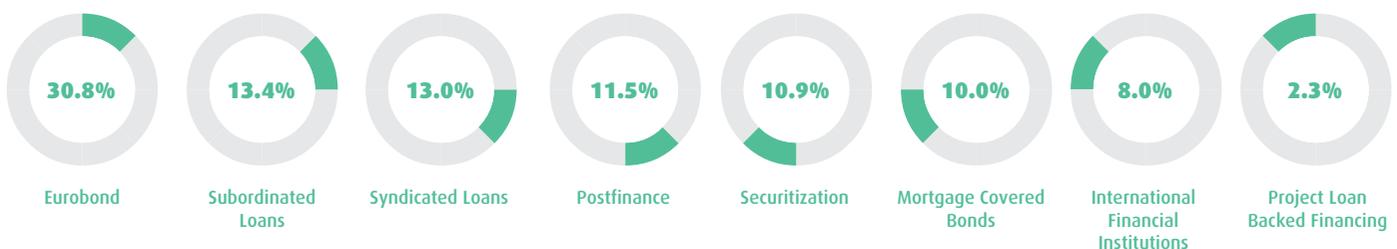
Under the Securitization Program based on future flows and treasury transactions, we continue to provide new funding in 2021 through the intense program ratios and collateral infrastructure, despite the markets affected by the COVID-19 outbreak.

As one of the most active banks in the international capital markets, we continue our uninterrupted support to deepen capital markets in Turkey, increase product diversity, and create resources for the national economy and the real sector by means of the transactions carried out under various structures.

Details on our resources are as follows:

**Despite the challenging conditions, we were the Turkish bank that brought the most funds from abroad in 2020 as well.**

### Distribution of Our International Funding



## Responsible Financing and Sustainable Development

**In 2020, to maximize customer experience and satisfaction, we have carried out many activities that facilitate access to finance, provide digital transformation, catch world trends, and cooperate closely with international organizations.**

**VakıfBank proceeded to offer solutions to the requirements of the real sector.**

**VakıfBank proceeded to offer innovative solutions to the requirements of the real sector in 2020.**

We offer sustainability products, constituting one of our Sustainable Development approach's essential components, to our customers' usage to support socio-economic development by considering all society segments. Thus, we support our customers to be empowered economically. With the support we provide, we encourage social development and contribute financial support from households to the real sector.

With the impact of the COVID-19 pandemic on many industries, the demand for supply chains that are not affected by instantaneous changes, possessing flexible business models, and making sustainable decisions dynamically has also increased. Based on our principle of always accompanying our customers within this scope, we proceed to make various products and campaigns to support every supply chain link. While assisting our customers, we maintain to evaluate the environmental and social impacts of the projects we finance, with the awareness that our most significant impact in the social and ecological field is through financing.

### Support to the Real Sector

Under the conditions of the COVID-19 pandemic that left its mark on the entire world economy in 2020, we continued our support for real sector companies with a responsible financing and sustainable development approach. In COVID-19 pandemic conditions, we had to reduce our visits to real sector companies compared to previous years by prioritizing our customers' and employees' health conditions. However, during this period, with the aim to maximize customer experience and satisfaction, we continued to engage in many activities that facilitate access to finance, provide digital transformation, catch world trends, cooperate closely with international organizations.

We have adopted our commercial loan product, which we developed as the **Turkish Lira Overnight Benchmark Interest Rate (TLREF)**, in our many campaigns. We made the risks of commercial enterprises predictable and provided borrowing facilities in conformity with market conditions. Thus, we increased the diversity in variable rate loans.

In addition to the **IVME Financing Package**, which we have commissioned to support real sector companies that create benefit together with public banks, we continued to offer our customers the **Employment-Focused Business Loan** prepared for the "manufacturing sector," "service sector," "ongoing housing projects" and "foreign contracting services" and contributed to sustainable employment.

With the **KGF Cheque Payment Support Loan** within the Economic Stability Shield Package scope, we aimed to minimize the effects of the COVID-19 pandemic, which affects the whole world, on our economy by supporting our customers who use the cheque method in their commercial activities. To make them continue their actions, we have enabled them to pay the cheque amounts they are liable to pay by using an appropriate financing source.

Besides, we have started to work on a new guaranteed payment product that is an alternative to traditional methods (cheque, bill, open account) in the market to ensure that our commercial customers' needs can be financed in a short time under the guarantee of our Bank. We have expanded our **VBanko Cheque** product, which determines the "**Cheque Warranty Limit**" by evaluating the financial status and cheque payment performance together for the company. With VBanko Cheque, we provided our Bank's guarantees to our customers who issue a cheque, with varying amounts specific to each cheque sheet, within the usable cheque guarantee limits. **Thus, we guarantee the traders' cheques; facilitate our customers and their customers to carry out their business without disrupting their payments.** By increasing the cheque circulation speed, we write our name next to our customers' signature. **We combine the trust of the letter of guarantee with the ease of circulation of the cheque.** We plan to launch the **digital** version of our product, which facilitates trade for buyers and sellers, at the beginning of **2021**.

Through our other innovative product, **VLimit**, we provide great convenience to our commercial customers during their tax payment periods. We define a tax limit that can only be used for tax payments for business companies that pay high amounts of tax, have a mismatch between the tax period



## VBanko Çek'iniz olsun ticarete riskler son bulsun

Ticaretin temelini güvenle güçlendirmek isteyenler, VBanko Çek'te buluşuyor, çeklerinin her bir yaprağına attıkları imzanın yanına VakıfBank güvencesi ekleniyor.

**VakıfBank, daima sizinle.**



**VakıfBank**

and cash flow, or do not want to outflow cash in the short or long term. Therefore, we enable our customers to pay their taxes on time and pay off their loans whenever they prefer. In 2020, we made our **VLimit** product popular and used TL 403.8 million in tax payments.

In 2020, with the decision taken by the Revenue Administration (RA), tax payments in cash and on account started to be executed only through public banks. For our customers to pay their tax payments in the fastest and most practical way, in addition to the existing collection channels such as Branch, Internet Banking, Mobile Banking, Call Center and Regular Payment channels, we also made payments through SMS, gib.gov.tr, Webservice, Batch File, and ATM channels. With these studies, we intended to provide easy and practical solutions to our customers for tax payments and enable them to execute their tax collections without going to branches during the pandemic period. Besides, we have put into service our new product called "**VakıfTax Card**," which we developed for global companies with foreign partners and taxpayers in corporate and commercial segments to make their tax collections easily, practically, and securely through our Bank.

With our **Supplier Financing product**, which we have added among many financial products we offer, from cash and non-cash loans to collection and payment services, we have brought solutions for suppliers with limited access to finance. Through the Supplier Financing System, we have enabled suppliers who regularly provide goods or services to corporate and large commercial scale companies to discount their receivables from their sales to these companies through our Bank **and convert them into cash whenever they need**. By means of this product, we aim to support suppliers in managing their cash flows more effectively and providing efficiency in their operational transactions by discounting their receivables before the day.

We continue to develop the Franchising Product to bring together investors and entrepreneurs who want to establish a new business or invest in another field other than the current business line and support their financial requirements.

We provide financing to infrastructure projects such as Third Bosphorus Bridge and North Marmara Highway, Istanbul New Airport Construction, Gebze-Izmir Highway, Ankara-Niğde Highway, Menemen-Çandarlı Highway, and Çanakkale Bridge and Connection Roads Construction. While these projects have increased Turkish companies' technical competence in project development, it is an important indicator that the Turkish Banking sector is also making progress in project finance. We believe that these infrastructure projects, which play a vital role in our country's development, will also shed light on future large-scale investments. We have financed approximately USD 4 billion for the infrastructure projects to continue to support in the upcoming period. **As of the end of 2020, the share of the placement amount of the infrastructure-construction projects in the total commercial loan placement amount of our bank is 9%.**

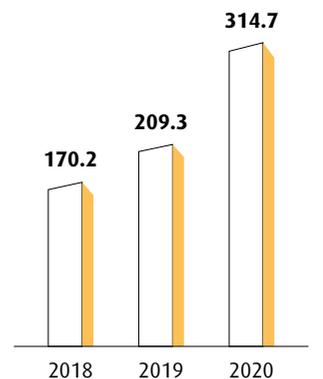
The COVID-19 pandemic offers opportunities for the rapid increase in digitalization and financial technology growth in our country. Trends in the world and Turkey reveal that the importance of digital payment methods has increased considerably. In this context, we also prioritize end-to-end digitalization at all stages, from our products' design to their presentation to our customers. We follow the trends closely and quickly develop new solutions and products for our customers' current demands.

**We made our VakıfTax Card, VLimit, and Supplier Financing products available to our customers.**

**We continue to develop our franchising product.**



**Commercial Loans** (TL Billion)



## Responsible Financing and Sustainable Development

**We contributed to alleviating the pandemic conditions by making the delays in installments, interest, and commission payments of all SMEs who applied during the pandemic.**

**We increased our SME loans to TL 105.8 billion.**

### Support for SMEs

We support our SME customers who create high value for the country's economy with their high rate of enterprises in Turkey and their capacity to generate employment in direct proportion with our wide product range and alternative channels in the field of SME Banking.

We accurately analyze the needs of our over 282 thousand SME customers and develop appropriate solutions. We increased our SME loans to TL 105.8 billion according to the legal SME definition during this period.

In 2020, we proceeded to offer the **İVME Financing Package** to SMEs to support real sector companies that create added value together with public banks. We provided financing to domestic producers who manufacture machinery, raw materials, and intermediate goods in specific product groups under favorable conditions within the package scope. We supported **domestic production**, notably by financing domestic machinery purchases.

With **Employment Focused Business Loan Package (ISTOD)** prepared for the "manufacturing sector," "service sector," "ongoing housing projects," and "overseas contracting services," we continued to support employment by making low-cost and long-term operating loans available to companies operating in sectors with high potential for employment. In particular, we sought to create a sustainable contribution to the **women and youth workforce**.

To make the expense costs predictable in the commercial activities of SMEs, we have created new "**Advantageous Transaction Packages**" by including expense items such as safe deposit boxes, cheque-promissory notes in addition to previous ones.

In 2020, we took an active role in reaching public support to SMEs and tradespeople, and public banks to alleviate the pandemic conditions. In this context,

- To alleviate the financial burden on businesses, the **Salary Payment Support Loan within the scope of the Credit Guarantee Fund (CGF)** with a grace period of up to 12 months, the **Work Continuing Support Loan and Cheque Payment Support Loan products**, with the payment of salary payments, fixed and variable expenses of enterprises during the quarantine period and cheque payments without any problems. We have played a vital role in **the sustainability of business life and employment**.
- To protect the activities and employment levels of the tourism sector and micro enterprises (tradesmen), where the pandemic conditions are most adversely affected, we have offered the **Tourism Support Package, and the Micro Enterprises Support Package** to the service of our SMEs within the scope of the 12-month grace period **Credit Guarantee Fund (CGF)** guarantee. With these products, after the quarantine period, we have ensured that the activities and employment levels of our tradesmen are **sustainable** with SMEs that provide accommodation and food service activities, travel agencies, tour operators, and other reservation services in the tourism sector and SMEs that offer goods and services to these businesses.
- We contributed to alleviating **the pandemic conditions by making the delays in installment, interest, and commission payments of all SMEs** applied during the pandemic period.

In 2021, when the pandemic's effects are predicted to continue, we will stand by SMEs with our new products for SMEs' uninterrupted access to finance and employment protection with **our understanding of responsible financing and sustainable cooperation**.

## Ticari Avantajlı İşlem Paketleri tam işini bilenlere göre

VakıfBank, daima seninle.

We added a new item to the International Finance Corporation collaborations we had realized in previous years during this period. We developed the **Outbreak Support Package for Businesses within the Emergency Company Support Project** scope, which we signed with the **World Bank, with a total of USD 250 million**. We offered the resource within the package scope to SMEs, who were adversely affected by the pandemic and adapted to the business environment created by the disease, with an attractive interest rate and maturity structure to meet their working capital needs and investment financing needs.

The Outbreak Support Package for Businesses includes **“Women’s Businesses” that employ women and employ women managers or representatives, “New Businesses” with less than five years of activity, “Developing Region Enterprises”** operating in rural and developing regions, **“Other Enterprises”** adversely affected by the pandemic. It also includes businesses that comply with regulations such as **masks, distance, hygiene** in the working environment, or that invest in **digital transformation** within the work environment that the pandemic necessitated. With the Pandemic Support Package, SMEs will be **financially immunized against the pandemic, and women entrepreneurs and managers, new businesses, and rural development will also be supported**. Besides, within the framework of the importance given to the green economy, all loans to be included in the package will go through the **“International Environmental and Social Standards Assessment”** process.

With the pandemic, rapid progress has been performed in digitalization globally. Competition in digitalization is increasing in the Turkish banking sector. We enriched our Commercial Mobile Banking application during this

period. We enabled SMEs to access many banking products and services through our **Commercial Mobile Banking** application.

Together with channels other than branches, we developed the **“Digital Approval”** structure within the scope of digitizing some transactions made from the branch to facilitate SMEs’ lives. In this context, we implemented the **“Front Box Tablet Application,”** where we removed the step of getting wet signed receipts by obtaining digital approval from our customers in some transactions made through the branch channel, depending on the nature or limit of the transaction.

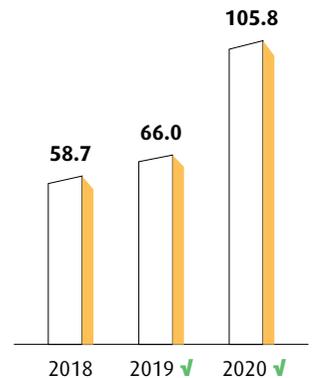
We will install the SME Digital Credit Platform into service at the beginning of 2021. **As a first in the sector**, along with actual persons with commercial activities, legal entities will also be able to use **credit, credit card, additional account, and checkbook end-to-end digitally**. The **SME Digital Credit Platform** will serve **new customers** as well as VakıfBank customers. In 2021, we will offer **“Open Banking”** opportunities, the rising trend of financial technologies, to SMEs’ services. With the SME Digital Credit Platform, we plan to enable SMEs to access financing in the fastest way possible by efficiently evaluating their financial data with the open banking method.

Besides, by offering our **“Profitable POS”** product in 2021, we will enable SMEs to make financial savings in their member merchant transactions.

In addition to our products and services developed to support SMEs, offering consultancy services to provide financial and non-financial services and to meet SMEs’ requirements that arise during their activities are among our goals.

In 2021, we will offer **“Open Banking”** opportunities, the rising trend of financial technologies, to SMEs’ services.

**SME Loans** (TL Billion)



✓ It has been subjected to limited assurance by the Independent Audit Firm.

## Responsible Financing and Sustainable Development

**In the struggle against the effects of the COVID-19 global pandemic, while local governments fulfill their fundamental duties, we have been supporting them in terms of financing, and on the other hand, we have ensured that they perform banking business and transactions quickly and safely.**

**With our widespread branch network and adequate field staff, we respond to local governments' needs without losing time and providing consultancy services to our customers within the solution partnership's scope to facilitate access to finance by local governments.**

### Support to Local Governments

Considering that local governments are subject to specific legal regulations and processes in accessing finance, unlike commercial enterprises, we apply our particular scoring system for local governments when allocating credit limits.

With our widespread branch network and adequate field staff, we respond to local governments' needs without losing time and providing consultancy services to our customers within the solution partnership's scope to facilitate access to finance by local governments.

We carry out systematic studies and visits to closely observe local governments' requirements and develop innovative solutions for their needs with our unit specially created for local governments. We support our branches' visits with our effective field coordination and consolidate the power of VakıfBank in the field of local governments with the strong synergy we have created and the sustainable relationship network we have established.

In 2020, we continued producing solutions in banking transactions and operations required to provide basic needs such as environmental cleaning, bridges, roads, and drinking water on time and on the premises by the entities composing local governments. We provided financial support to local governments' services in the environment and areas where we all live. By carrying our national collaborations to international dimensions, we have effectively offered various financing resources that we obtained from abroad to local governments' service.

**As a successful business partner of The Turkey Sustainable Energy Financing Facility (TurSEFF) funded by the European Bank for Reconstruction and Development (EBRD) in the past years, we became the first bank to include municipalities in the scope of the fund with the launch of our Local Governments Banking department.** This year, we added İbank to our collaborations.

Moreover, we provided support to our local governments that suffered from some natural disasters in 2020.

While local governments fulfill the crucial duties of struggling with the effects of the COVID-19 global pandemic, we have ensured these services are financed. The banking transactions and operations through which these services are provided are performed quickly and safely.

Since Local Governments are the institutions responsible for supplying the basic needs of people, providing clean environments and healthy transportation services, we have worked more sensitively to meet their demands quickly and result-oriented in the COVID-19 period.

We ensure that tax collections, one of the most important income sources for local governments, are carried out faster and more effectively through our Bank. In this context, in 2020, we implemented regulations that enable property taxpayers to pay their taxes through our bank's ATMs without any obligation to open an account at our Bank. Thus, local governments increased their income by diversifying their property tax collection channels, and taxpayers had the opportunity to perform their transactions efficiently during the pandemic period.

We will continue to produce effective solutions with our innovative products to maintain our mission to contribute to local governments' development, which is our business partners.



## Responsible Financing and Sustainable Development

**Via our widespread network of correspondent banks, we mediate foreign trade transactions in line with our customers' needs and continue to increase our support in this area despite the challenging market conditions of 2020.**

**In 2020, we established a Foreign Trade Marketing Department to increase our Bank's share in foreign trade transactions and provide better quality service to our customers.**

### **Support for Foreign Trade**

Via our strong correspondent bank network consisting of 1,360 banks and financial institutions in 122 countries worldwide, we continue to offer alternative solutions to our customers' different needs by supporting their foreign trade transactions. With our correspondent accounts in more than 60 banks in 15 other currencies and many countries, we can mediate domestic and foreign currency payments. Since August 2018, we are increasing our market share day by day with the contribution of foreign currency payment transactions that can also be conducted via mobile banking.

In 2020, we established a Foreign Trade Marketing Department to increase our Bank's share in foreign trade transactions and provide better quality service to our customers. Consequently, we aim to swiftly implement marketing strategies for foreign trade products and marketing plans in line with these strategies and to effectively manage marketing, sales, and product development activities for foreign trade products by determining customer needs.

## Dış ticaretin gözdesi Avantajlı İşlem Paketleri

VakıfBank, daima seninle.



In foreign trade transactions, in line with the principle of **“EASY FOREIGN TRADE,”** we create alternatives by offering opportunities such as speed, cost, and ease of operation to our importer and exporter customers. Hence, to increase our share in the country’s foreign trade as the Bank, we reach our existing and potential foreign trade customers in all Turkey regions one-to-one. We offer them the most suitable solutions by determining their needs. Including domestic/international foreign currency transfers and foreign trade transactions, with the advantageous transaction packages we have created for our companies that do or want to make foreign trade, we aim to ensure that our customers do their foreign trade transactions free of charge within specific quotas and to support our economy in the field of foreign trade.

With the awareness of foreign trade’s critical contribution to the country’s economy, we accurately determine our foreign trade customers’ needs, provide services, and finance under the most favorable conditions. With our substantial **Strong Exporter/Importer Opportunity and Transfer (SEIOT),** we offer our customers who perform the import, export, and transfer transactions through our Bank the opportunity to trade at competitive fees, expenses, and commission rates, as well as exceptional opportunities in other banking products and services of our Bank’s affiliates.

We also finance foreign trade transactions via our extensive correspondent network and credit limits. We continued to support our customers’ import and export transactions with the loan provided under the Revolving Credit Agreement (RCA) agreement we signed with the European Bank for Reconstruction and Development (EBRD) in 2020.

**In March 2017, we renewed the 3-year loan of USD 250 million, which we obtained from the ICBC Group to finance foreign trade and the general financing needs, in April 2020 with the same maturity as USD 325 million at the level of 130%.** Thus, we have realized bilateral loan agreements and post-financing transactions from correspondent banks with a value of approximately USD 1.5 billion since the beginning of the year.

By means of our widespread network of correspondent banks, we brokered foreign trade transactions according to our customers’ needs. We continued to increase our support in this area despite the challenging market conditions of 2020. Since we have a wide range of customers operating in different regions of the world, we pay utmost attention to continuously improve our product range, increase our service quality and maintain our leading position in this field.

Besides, we support exports by providing payment guarantees to our customers’ receivables with different payment methods such as letters of credit and guarantees. In addition to our correspondent bank network, under the favor of our bilateral agreements with the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC), we assure our customers of these guarantees institutions. In particular, under the agreement signed with the EBRD, we became the Turkish confirmation bank with the most transactions in 2019. Along with these, we support cost-effective and long-term financing through other countries’ export credit agencies to encourage and support customers’ long-term investments.

To improve exports, we continue to support exporters or companies engaged in export-oriented production with Turkish Eximbank Loans from the Export Credit Bank of Turkey (Eximbank) source.

In addition to our long years of knowledge and experience in foreign trade, we endeavor to reach more customers in 2021 with our high technology, quality service, and widespread correspondent bank network and be a pioneer in providing solutions and products for their foreign trade needs.

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**With the awareness of foreign trade’s critical contribution to the country’s economy, we accurately determine our foreign trade customers’ needs, provide services, and finance under the most favorable conditions.**

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## Responsible Financing and Sustainable Development

**We attach strategic importance to the agricultural sector, whose value is more recognized for producers and consumers during the pandemic period.**

**Due to the agreements we made in 2020, we increased the turnover of TarımKart member merchants by 135% compared to the previous year.**

### Support to Agriculture

Believing that sustainable agriculture is critical for our country's future, we continue to stand by the farmers with our expert staff and attractive banking products and services tailored to their needs.

We help our farmer customers meet their financing needs with our business and investment loan products with annual payments following their harvest periods. Within the scope of Agricultural Banking, we continue to serve producers with more than 30 products such as credit, card, and agricultural insurance to producers engaged in plant production, dairy breeding, poultry breeding, greenhouse cultivation, aquaculture, mushroom cultivation, and organic agriculture.

With our **VakıfBank TarımKart** product, which we designed to enable farmers to meet their business needs quickly, efficiently, and with low financing costs, we offer the opportunity to purchase interest-free agricultural inputs for up to 6 months at our VakıfBank contracted merchants. Besides, we ensure that our farmers owning VakıfBank TarımKart can withdraw cash from all bank ATMs at any time of the day. We offer attractive interest rates for all kinds of financing needs of farmers with 5-year investment loans such as 2-year business and tractor loans, agricultural land, agricultural equipment, and dairy livestock purchase, as well as TarımKart with a yearly payment and harvest maturity.

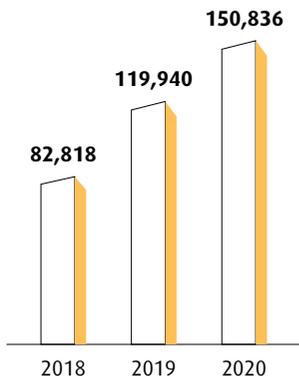
The agricultural sector's worth to which we attach strategic importance has been noticed more from producers' and consumers' viewpoints during the pandemic period. In this period, when producers were also adversely affected by COVID-19, we increased the TarımKart limit for more than 50 thousand farmers. We once again demonstrated that we stand by the farmers by postponing their due credit and card debts. **We have received deferment requests through digital channels, enabling producers to take action without leaving their homes or fields.**

We strengthened and developed our relationships with farmers, agricultural input sellers, product buyers, unions, cooperatives, and other stakeholders in the agricultural value chain despite the pandemic. **In this context, the number of our farmer customers exceeded 260 thousand, and the number of our customers with TarımKart increased by 26%. The number of VakıfBank contracted agricultural member businesses, where farmers can do interest-free shopping with VakıfBank TarımKart, exceeded 10,000 with the new agreements we made. In addition, due to the agreements we made in 2020, we increased the turnover of TarımKart member merchants by 135% compared to the previous year.**

We have taken essential steps regarding digitalization processes in agriculture, which we see as one of the most critical opportunities created by the pandemic. We started to provide **on-site services to manufacturers by implementing the tablet project** we started in previous years. We established a mobile team called Agriculture Direct Sales to effectively use this new channel to provide products and services to farmers. **We have served nearly 30 thousand customers with our new team and sales channel, which provides continuous and on-site service to farmers in the village and land.**

After introducing our innovative solutions in the Agricultural Banking business line to farmers and companies in the value chain, we supplied support with quality service mentality to many stakeholders such as Kayseri Sugar Factory, Sukkar Şeker, ÇAYKUR, Rodos Süt, and Trakya Birlik and nearly 40 thousand farmers in designated locations out of branches, with more than 20 teams of 70 people.

### Number of TarımKart Customers



Considering the needs of farmers for electricity debt payments, we contacted 19 electricity distribution companies in 2020 and made agreements with ten companies. Our contacts with other companies are continuing. With the agreement we made with the electricity companies, we enabled the farmers to pay their electricity debts with VakıfBank TarımKart from the companies' customer contact centers without accrued interest. Thus, thousands of our farmers using VakıfBank TarımKart could pay the monthly invoice amount on a due day without being imposed to an interest charge and postpone their annual card debt to the harvest period.

We provide our farmers with state-sponsored TARSİM insurance through all of our branches. VakıfBank TarımKart offers the opportunity of paying the entire insurance premium, including down payment, at harvest maturity, without interest. With the increase in insurance awareness, we achieved a 20% increase in TARSİM insurances, which protect the producers' assets against various risks such as natural disasters and diseases.

In addition to our financing services, we continued VakıfBank Farmers' Academy's activities, which we established to increase our farmers' technical knowledge, reduce costs, increase efficiency in agricultural production, and contribute to agricultural sustainability. The number of Agricultural Conversations we have held under the umbrella of VakıfBank Farmers' Academy since 2019 has reached 20. We have provided training on sustainable agriculture, water conservation, and climate change to 2,650 farmers who attended these meetings.

## TarımKart'la mahsulünüz bol olsun

Siz de VakıfBank şubelerinden TarımKart'ınızı alın; TARSİM borcunuzu hasata kadar faizsiz ödeme kolaylığından uygun faiz oranlarına, tüm ATM'lerde nakit çekiminden asgari ödeme imkanına kadar pek çok ayrıcalığınız olsun.

**VakıfBank, daima seninle.**



## Responsible Financing and Sustainable Development

**We continued to develop innovative products and solutions in line with our customer's demands and needs to provide uninterrupted financing to almost every professional group ranging from private-sector employees to civil servants.**

During this period, by including mortgage loans within Sky Limit's scope, we enabled our customers to apply for mortgage loans at any time and through the Mobile Banking channel at their specific limits. In the Sky Residential Loan campaign, we defined a particular mortgage loan limit for VakıfBank customers whose monthly income is above a certain amount. **We have made it possible for our customers to apply for mortgage loans via mobile banking, initiate the appraisal process online, and use Residential Loans within the determined limits by visiting the branch only once for signature during the loaning process (considering the appraisal value).**

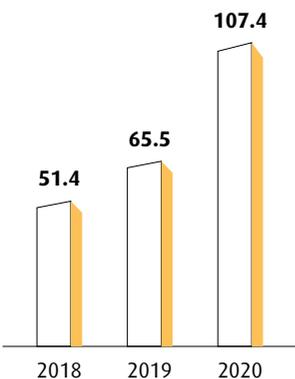
We proceeded to contribute to the housing sector's development in this period with the residential loan campaigns developed according to the market conditions and our customer-oriented banking approach. We launched an **Advantageous Residential Credit** Campaign for new/ first-hand or pre-owned dwelling purchases in order to bring the housing stocks to the economy. We took part in the **"Turkey! Do not Postpone Your Dreams"** Campaign by continuing to cooperate with the sector in residential project loans. We launched the **"Yellow Shutter Residential Loan for Farmers"** campaign, which is paid once in 3, 6, or 12 months and offers advantageous payment options in line with the harvest/production income to provide the residential financing support that producers engaged in agricultural activities will need.

### Support to Households

As one of the sector's leading banks in retail banking with our experience and customer-focused strategy in the field of retail banking, we serve over 18 million retail customers and continue to provide financial support to households with our products in both loan and savings deposits.

We tried to fulfill our part in difficult times. With the Social Life Support and Vacation Support loan packages, which we have created considering all the households' needs affected by the COVID-19 pandemic worldwide, we have developed appropriate solutions for our customers in financial matters.

### Retail Loans and Their Change Chart (TL Billion)



We continued to develop innovative products and solutions in line with our customer's demands and needs to provide uninterrupted financing to almost every professional group, from private-sector employees to civil servants. **In a period when it was not preferred to exist physically in the branch due to the pandemic, we immediately facilitated the access of professional groups to financing with SKY Limit.** SKY Limit is a personalized, high-value, single-credit-limit-defined product. Our customers can distribute these predefined credit limits to different loan products such as additional accounts, credit cards, consumer and housing loans and perform these transactions through VakıfBank Mobile. In this way, we enable our customers to manage their limits as they wish.

We also **made all deposit transactions possible through alternative distribution channels to minimize our customers' number of branch visits during pandemic conditions.** In this context, even if they are not our customers, we made it possible for depositors to log in with their TR ID numbers and get term deposit interest rate proposals via the communication channel they wish to use without going to our branches. **We strengthened our mobile and internet banking areas by expanding the transaction sets of our time deposit products and campaigns.**

As VakıfBank, we will continue to be a pioneer in the sector with the digital products and services being created by determining our customers' demands and needs with data analysis in 2021.

## Within the scope of the Emergency Company Support Project signed with the World Bank in 2020, we will finance the working capital and investment loan needs of SMEs most affected by the COVID-19 outbreak. It is also mandatory that every loan application to be funded under the project has to be subjected to the Environmental and Social Impact Assessment System.

### Responsible Finance

We are aware that we are responsible for the environmental and social impacts of the projects we finance within the framework of our responsible finance approach, which is the basis of our duty to contribute to society and the environment. In this context, “Environmental and Social Impact Assessment and Sustainability” is included as a particular title in our Credit Policy Document to evaluate the environmental and social impacts of the projects we finance. In this way, we focus on creating a positive indirect effect with the projects we provide financing and prioritize environmentally friendly projects, energy efficiency, and renewable energy projects in the financing, whereas we do not include specific sectors within the scope of prohibited sectors.

We request the documents that the projects must provide regarding environmental standards before the project financing. In addition to environmental criteria, we expect various social measures on employee and human rights, ethical values, non-child labor, and non-forced labor.

Since we consider it our responsibility to monitor the continuity of the positive impact created in the projects we finance, we also monitor the projects’ environmental and social performance during the investment and operation periods and realize the commitments made.

This process, which we have implemented in the project finance phase within the framework of a responsible banking approach, also facilitates our cooperation with international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the German Development Bank (KfW). Thus, we can successfully manage the process of meeting the high ethical, environmental and social criteria, which are among the requirements of many projects that we provide financing through related institutions.

In 2020, we signed a USD 250 million Emergency Firm Support Project with the World Bank. Within the scope of the project where the working capital and investment loan needs of SMEs most affected by the COVID-19 pandemic will be financed, every loan application to be funded under the World Bank policies must be subjected to the Environmental and Social Impact Assessment System. We received support from an independent consultant firm for the design of the system that enables the determination of the environmental and social risk levels (Low Risk, Medium Risk, and High Risk) of the companies using the loan and submitted it to the approval of the World Bank. With the start of the loan disbursement process, the Project-specific Environmental and Social Risk Management System will also be activated.

Besides, we continue our efforts to establish an environmental and social risk management system in the allocation processes of the relevant segments within the scope of the fund we provide from the French Development Agency (AFD). We primarily aim for the system to be established for Corporate Loans and Project Loans to be operational by the end of 2021. After the system is established for these segments, we plan to develop it to include the entire loan portfolio with the impact of the capacity development within the Bank.

While contributing to the future generations to live in a greener, more beautiful, and environmentally friendly world by planting more than 160 thousand saplings within the scope of the Environmentally Friendly Housing Loan, we also made an agreement with the French Development Agency (AFD) for energy-efficient houses amounting EUR 200 million. As part of this funding, we aim to support the reduction of residential energy consumption and greenhouse gas emissions from the residential construction industry to accompany Turkey on a more sustainable development path. With the agreement, we aim to contribute to developing the green housing market by raising awareness among construction manufacturers to make Turkey’s industry practices environmentally friendly. On the other hand, customers who prefer budget-friendly and highly energy-efficient houses will have easier access to loans throughout their economic life.



The Green Mortgage Project, which we signed with the French Development Agency (AFD), is the highest amount of Green Mortgage Project provided by a bank in the Turkish banking sector.





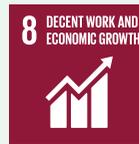
# OUR INTELLECTUAL CAPITAL

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## Material Topics & SDGs

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Digital Transformation



Risk Management



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**RISKS**

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Problems that may be encountered in the process of compliance with legal regulations and ethical rules for banking

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Failure to adapt to disruptive technological developments at the required speed

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*Failure to develop products and services suitable for changing customer habits*

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*Being insufficient against cyber attacks*

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*The negative impact of unconscious use of natural resources on climate change*

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**OPPORTUNITIES**

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Working in coordination with regulatory and supervisory authorities

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Technological developments

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Collaborations with Fintechs

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*The emergence of new products and service areas*

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*Digital transformation reduces the use of natural resources*

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*Making a positive contribution to climate change with original projects*

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## Total Number of Customers in Digital Channels

# 7,833,862

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## Amount of Products/Services with Brand Registration in 2020

# 10

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# Digital Transformation

## Speed, convenience, and security are our top priorities in the age of digital transformation.



As a part of the banking system that pioneers the informatics world in an era where technological developments change lifestyles, we develop applications that focus on digitalization.

We place such concepts that entered our lives with the digital age as big data, artificial intelligence, data analytics, cybersecurity, open banking, robot software, and block-chain titles at the forefront of our agenda. We take solid steps to become a “customer-oriented playmaker” in the industry, using new business practices, applications, and technologies that come with digital transformation.

The pandemic process we experienced in 2020 once again revealed the importance of incorporating digital transformation in corporate companies’ strategic plans. In addition to expanding the uninterrupted service we provide to our customers with the steps we take within the digital transformation scope, we also strengthen our competitive power in the sector by increasing our operational efficiency.

We have turned digitalization into a transformation philosophy within ourselves, with works in the scope of improving our bank’s operational processes. In addition to increasing speed and accessibility with our digital banking applications, we also provide efficiency in operations and resource use savings. We continue to implement practices to facilitate our Bank employees’ lives through our Information Systems teams with this awareness. With our applications developed within the scope of digitalization and centralization of our business processes, we continuously improve in many functions from credit cards to financial objection transactions, litigation processes, from customer contracts and forms displayed on digital channels to account opening transactions; we define and measure all process steps within the scope of service level agreements. We also ensure that our operational efficiency increases and physical document circulation is reduced with robotic process automation integrations. We began to use artificial intelligence-based document scanning technology with our innovative applications that we implemented during the year; thus, we developed our service quality by reducing the operational risk.

In this process that we call the digital age, we design the future’s banking and take a leading role. With this approach, we make our customers’ lives easier. We focus on our customers’ financial comfort and provide 24/7 uninterrupted access to financial services through our online platforms. We had a very productive year with our technology investments and digital flexibility that we realized with this understanding. In this period, where we experience the advantages of digitally ready to enter the pandemic process with our customers, the share of transactions made through non-branch channels reached 96%.

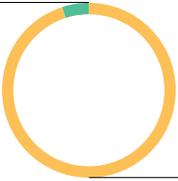
We are aware that mobile technologies are an integral part of our lives and convenient applications make time and space unlimited in the technology era. With this awareness and approach, we started the customer creation project through digital channels within BRSB regulations. In this context, we aim to make a difference in the sector with face recognition and video service banking technologies and the best practice to consider the end-to-end customer experience.

Along with the channels other than the branches, we continue our efforts to digitalize some branch transactions for facilitating our customers’ lives. Front Box Tablet Application, launched in 2019, was offered in 17 branches in 2020. In 2021, we will spread this practice to all of our branches. In addition to the digital approval option via SMS on the tablet, we expanded the practice of obtaining digital approval for teller transactions with VakıfBank Mobile Digital Signature throughout our Bank by year-end, which had been designed at the beginning of the project.

Today, while the change in customer habits goes in parallel with the sectoral change, we, as a part of the banking sector, adapt to these changes to the extent permitted by the regulations. In this framework, we aim to be among the banks that increase the variety of applications open to FinTech companies in “Open Banking” and steer the sector.

### The Rate of Transactions based on Channels

Branch  
4.08%



95.92%  
Non-Branch

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



# Internet Banking and Mobile Banking

**We have broken new ground in Turkey, enabling bank customers unpossessing a card to become self-service internet banking customers.**

Due to COVID-19, 2020 has been a year in which we have provided more interactive interactions than other years. With the contribution of the Self-Service Banking application we launched, we gained approximately 2.4 million new digital customers. Thus, the number of our digital banking customers exceeded 7.8 million. In this period, the number of our mobile banking customers reached 7 million. In contrast, the volume of transactions made via mobile banking increased by 179% compared to the end of 2019.

As a bank that attaches great importance to technology products and our existing banking services and products, our technology approach is to develop applications that will be pioneers in the sector while offering our customers the best banking practices in Turkey and the world.

With our “Digital facilitates” approach, we produce solutions that meet our customers’ demands and expectations. We increase the number of our products and services day by day. With this approach, **we strengthened our Commercial Mobile application’s infrastructure** and enriched the transaction set, and started to serve our customers in this segment with more than four hundred (400+) different transaction sets. With its new interface, we made the business of the tradesman easier, faster, and safer. Thus, with VakıfBank Commercial Mobile, we have added another vital milestone that facilitates our Bank’s commercial life. **We also opened our Commercial Internet Branch, which will also serve this segment, our customers with its new face, and increase transaction variety. With the digital signature and digital approval in our Commercial Mobile Internet Banking and Commercial Mobile Banking applications, which we have renewed considering the customer experience, we removed borders and increased security.**

Similarly, we renewed our Retail Mobile Banking application, bringing the convenience of one button to many transactions. Our application, which we offer to our customers with its new face, has become even more user-friendly. Besides, we aim to complete our **Retail Internet Banking front-end renewal works, which we started this year, in 2021, and make them available to our customers.**

While we improve the customer experience with our goal of being the bank that practices technology best, we also support our transaction security with new technologies. In this regard, we use our customers’ digital channels without

the need for a branch or call center. We also broke new ground in Turkey during this period, enabling bank customers who do not have a card to become self-service internet banking customers. Our customers started to use internet banking by scanning their new generation chip ID cards on mobile devices with Near Field Communication (NFC) feature with our application. **The Self-Service Internet Banking service is authenticated with approximately 500 thousand NFCs, indicating that the intense demand created during the pandemic process has been met precisely.** Thanks to our application, which is a first in Turkey, we make our customers with chip TR ID Cards and NFC-enabled devices as VakıfBank Mobile and Internet Banking users. Thus, our customers, who can perform their password transactions quickly and easily, can immediately start doing all their banking transactions through our digital channels.

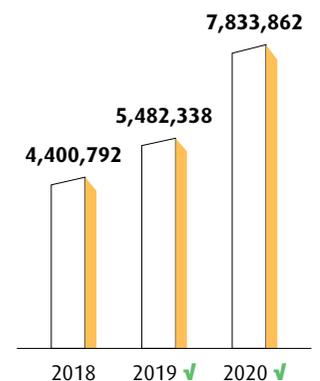
With our digital knowledge, we have also made significant strides in contactless, which is in great demand in the pandemic. The fact that no-contact technology has been on our agenda for years has enabled us to be ready for the pandemic process. Within the scope of contactless banking, we developed a contactless payment application by phone. **With the Mobile Contactless Payment (HCE) technology that we put into use with VakıfBank Mobile Banking, we enabled our customers to use their mobile phones in their shopping, just like contactless cards.** The number of transactions per month in this application has exceeded 150 thousand.

In 2019, ViBi, which we developed and implemented as 100% domestic software, continued to support our customers for nearly 300 banking transactions, which we call not artificial, but intelligent intelligence. When the pandemic started to affect our country in 2020, we do not consider ViBi to support only banking. We make the required updates by analyzing the questions to answer questions on social issues like this.

**We are aware that we reduce our customers’ carbon footprints and indirectly contribute to climate change struggle through all these digitalized services.** Also, we consider that after the pandemic, the digital migration of customers will accelerate, and alternative distribution channels will be used more actively. Therefore, in 2021, we will further increase our speed and efficiency with our technological infrastructure, products, and applications and lead innovation and break ground in this field.

**We gained approximately 2.4 million new digital customers.**

**Number of Digital Banking Customers**



✓ It has been subjected to limited assurance by the Independent Audit Firm.

## Information Technologies

**We are a pioneering bank in the sector that encodes and develops its own banking software with its own resources.**

**We are a pioneering bank in the sector, which encodes and develops its own banking software with its own resources.** With our qualified human resources and innovative vision in this field, we closely follow the developments in information technologies and offer products and services leading and making a difference in the sector.

In an era when it is not enough to code tomorrow according to today's needs, we constantly analyze customer expectations and where technology brings us. As a bank that performs millions of banking transactions every day, we know that today's most valuable asset of institutions is "data." Within the framework of the importance of data analytics, data security, and data management, we carefully follow and implement the relevant regulations to use data correctly and effectively and increase data quality.

Data analytics creates a competitive advantage in critical issues such as efficiency, profitability, and sustainability by enabling businesses to make faster and more accurate decisions in a rapidly changing and developing world. We continue our studies on data analytics and investments in competent human resources in this field with this perspective. In line with our goal of generating value from data, we improve our analytical processes and our talented human resources skills. We are expanding our data sources within the scope of studies on data infrastructure. We constantly renew our ability to access and analyze data with up-to-date technologies. We aim to manage and scale instantaneous data flow with all studies within the scope of data analytics, which is an input to our decision processes and analyses customer needs through data in the best way. In addition to the purposes such as gaining and retaining customers and increasing profitability, we also carry out preventive controls such as fraud prevention and anomaly detection, and data analytics in cybersecurity.

**We realize the process of storing and managing the vast data we have in the digital world with VakıfBank Istanbul Data Center (VIVEM), which has Tier 3 and 4 certificates, which very few data centers in the industry possess.**

With the VakıfBank Innovative Transformation (VIT) program, which started to operate at total capacity in 2017 and gathers all our banking applications on a single platform, our speed in application development increased, our momentum in both branch infrastructure and internal units increased, our operational costs decreased, and our scale efficiency increased.

In 2020, we renewed our Main Banking application with user-friendly screens. With its new face, we positioned the VIT project to cover all our bank processes. We aim to open the new application, where all end-to-end processes are monitored with web-based flows, to the use of personnel outside the branch and within the scope of on-site service banking, such as the Mobile Field Sales application.

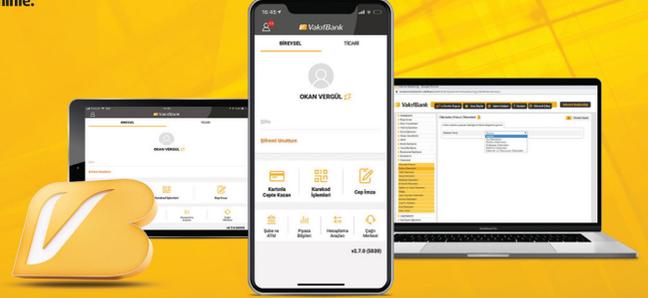
We continue our work on data analytics, artificial intelligence, remote customer acquisition, voice and face recognition, open banking, especially in Basic Banking and digital channels. We use the latest technologies in all areas. In this context, we started to use chip ID cards in branches and digital channels by working on using chip ID cards to authenticate our customers in our bank processes. We make our operations more accessible and more efficient with artificial intelligence and data analytics. We increase our operational work efficiency in this area by ensuring the control, interpretation, classification, and verification of customer documents and information on documents with artificial intelligence algorithms. We continue to work on automation by using optimization algorithms in our operational workforce planning. We create a more effective targeting system in calculating our bank's sales target/performance values with artificial intelligence algorithms.

Furthermore, we started to use robotic software effectively in our banking applications. By doing repetitive tasks with the same rules as this automation product, we both save labor and minimize the risk of faulty operations through our robots. We have frequently and successfully applied Agile methods in project management methodology last year. In 2021, we will use Agile methods in many more of our teams and projects.

## Dijital hayatı kolaylaştırır

Bankacılık işlemlerinizi VakıfBank Mobil Bankacılık, İnternet Bankacılığı ve Çağrı Merkezi üzerinden gerçekleştirebilirsiniz.

**VakıfBank, daima seninle.**



**VakıfBank**

To reduce operational burdens and transaction risks in our branches and Headquarters units, we are operating to bring our processes to digital environments and centralize operational transactions. Within this mission's framework, we digitized 40 processes in our branches. We ensured that customer approvals were received via the tablets placed in front of the counters and our mobile application. In this direction, we broke new ground in the sector within the scope of integration with the Notaries Union of Turkey (TNB) and established the Safe Vehicle Sales System (GASS) to enable online inquiry of power of attorneys and customers to carry out their vehicle purchases and sales transactions. Thus, we have prevented the loss of workforce, time, and operational risk by adapting to the safe, fast, digital age; we increased customer satisfaction and operational efficiency by providing faster service to customers. To improve the service quality in operational transactions, we determined the service commitment periods (SLA) for the operations performed in the Operation Units. We ensured the SLAs to be displayed on the branch and unit screens. To ease our branches' workload and make the sales-oriented structure operational, we have centralized our customers' SSI premium collections, tax payments, and the collection and expense transactions of our branches' water, electricity, and natural gas bills.

Meeting our business units' demands by digitizing them from end to end and minimizing the problems that may arise by redesigning the dissemination infrastructure is one of our most significant duties and goals. We created a roadmap for this entire automation system called "DevOps" in international terminology and started our work in 2019.

In 2020, with the COVID-19 outbreak, services such as digital channels, call centers, ATMs came to the fore for customers, while information technology resources we have in remote working and virtual room meetings became important for employees. Thanks to our investments, the necessary development, and our infrastructures' availability, we have adopted our customers and our personnel from technological facilities and products without interruption.

Acting in line with our strategies and our values of "innovation" and "being the leading bank," our VakıfBank R&D Center V-LAB carried out idea development and cooperation activities in many areas such as artificial intelligence, data mining, customer experience, and payment systems in 2020. Innovation-Oriented MeetUp Seminars and Design-Oriented Thinking Workshops continue in our R&D Center, where we organize design-oriented thinking workshops and offer our employees environments that will enable them to develop innovative ideas and solutions. The Open Innovation Center, which will be launched in 2021 thanks to universities' cooperation, advances.

With our vision of becoming the Leader Bank of Strong Turkey, we continue to offer our customer-oriented and innovative products. Simultaneously, we are aware that banking applications' digital transformation brings risks in this area. Therefore, cyber-attack risks, security of all kinds of data, and personal data protection are essential topics. We continually improve ourselves in these areas and continue our efforts to create a safer banking experience day by day. Our work in this area not only enhances our competitiveness in the industry but also contributes to increasing customer satisfaction and confidence in our Bank.

## Innovation-Oriented MeetUp Seminars

# 7

## Design-Oriented Thinking Workshops

# 2

## Business Continuity and Customer Information Security

**Considering the increase in the use of digital channels during the pandemic period, we have taken the necessary precautions related to the increased threat levels and have completed the operations to establish a modern Security Operations Center.**

Number of Employees Attending Information Security Training  
**450**

We effectively fight threats, considering factors such as regulations, digitalization, and increasing data volume. We create security strategies that align with our bank's policy and support our way of doing business.

With our solid and flexible banking infrastructure, we ensure that all necessary measures are taken to provide our customers' uninterrupted service. **Accordingly, audit compliance with ISO 22301 Business Continuity Management System.** Within the Disaster Recovery Plan scope, we have also carried out studies and necessary exercises to automatically direct all our systems to the backup data center in case of an outage. Together with business impact analysis, we identify our critical business services and closely monitor the necessary risks.

Considering the increase in digital channels, particularly with the pandemic process, we take the necessary measures regarding the increased threat level. Consequently, we have completed the establishment of a modern Security Operations Center. We continue to make the investments necessitated for effective and proactive monitoring. We have commissioned many projects to detect malicious software on end-user devices, simulate attacks, and raise user awareness. We completed the **ISO 27001 Information Security Management System** certificate attendance audits. We are in constant cooperation with the Sectoral Cyber Incident Response Team (SCIRT), which carries out the necessary coordination with all public institutions and organizations to ensure security.

In order to keep up with the digital transformation, we take the application development processes with the "DevOps" approach, so we can quickly adapt to the changing world and develop new products. Again, we proactively develop our technological infrastructure in line with the required capacity plans and continue our investments in this area.

We operate these agile processes remarkably in compliance with new regulations. Thus, we have completed our compliance studies to establish the necessary organization within the Regulation's scope on Information Systems and Electronic Banking Services of Banks. **We also successfully performed audits such as Swift Customer Security Framework, Revenue Administration (RA) Special Integrator Audit.**

The privacy of our customers is crucial to us. We publish our Privacy Policy on our website and make it available to our customers. Regarding the Law on the Processing of Personal Data, we ensure that the necessary information is presented in all our channels within the disclosure obligation scope and that the required explicit consent is obtained. Therefore, we have documented the Personal Data Processing Policy and other necessary processes. We conduct the necessary work in all our channels within this scope to ensure our customers' safety.

With the increasing complexity and variability of digital transformation, we continue to strengthen our security systems to ensure information security and keep our defense against cyber-attacks at the highest level.

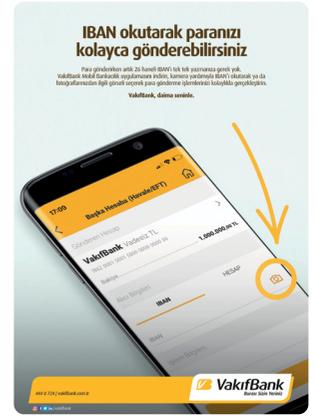
You can access our Bank's Privacy Policy on our website at <https://www.vakifbank.com.tr/Default.aspx?pageID=4005>.

# Applications and Innovations

**Acting on the motto of “Digital facilitates,” we developed a new innovative product in line with customer demands and needs. With IBAN Reading, we enabled our customers to transmit their IBANs on their photo, PC, or phone screen with OCR technology.**

In 2020, we achieved many applications focusing on digitalization and customer needs and adapted our production speed and infrastructure to new and changing needs.

- With the method introduced by our Bank for the first time in Turkey, we have completed becoming an internet banking customer, obtaining a password and Mobile Banking activation processes by applying OCR and NFC feature with a new generation chip ID card.
- We renewed our Retail Mobile Banking application in line with customer expectations. We have integrated new technologies by improving the customer experience in the new VakıfBank Mobile, which preserves the favored aspects.
- We have effectively renewed the Commercial Mobile Banking infrastructure by completing our efforts so that our customers can perform their transactions faster and more practically by increasing the Commercial Mobile Banking transaction set. We enriched the function set.
- By adding a new one to our technological payment methods, we enabled our customers to make payments by reading the QR code generated by POS via VakıfBank Mobile, without having a Credit Card. We became the first bank to complete withdrawal/deposit developments from other banks' ATMs with QR codes and the necessary certifications.
- We enabled our customers using Mobile Banking to increase their daily transaction limits by using new-generation chip ID cards without calling the call center or visiting the branch.
- We have supported our customers during the pandemic so that our customers can perform all their banking services without going to the branch by carrying many transactions they can make through branch channels to our Digital Channels.
- We completed the Commercial Internet Banking front-end renewal work and made it available to our customers promptly.
- As VakıfBank, we have ensured that second-hand vehicle purchase/sale transactions can be carried out safely with VakıfBank Safe Vehicle Sales System within the framework of evaluating our customers' demands and needs and developing new products and applications.
- We started to have approximately 40 transactions made with wet signature at branches with digital approval. We enabled mobile banking customers to approve their transactions with Pocket Signature digitally. We plan to expand our countertop tablets to all branches in 2021, which will be adopted to popularize our branches' digital approval. By adding NFC reading feature to these tablets, we will also provide transaction verification and verification functionality with new generation chip ID cards.
- As a Commercial Loan Transformation Project channel, we are continuing to work for the first time to extend installment, revolving, and spot loans for corporate customers through the commercial internet and commercial mobile banking channel. In 2021, we aim for Real Person with Commercial Activity (TFGK) to be broadcast on the individual internet and mobile banking channel for customers and allocate and disburse checks, credit cards, overdrafts, and credit limits from our channels for TFGK and Legal customers.
- With the VBanko Cheque Digital product, we enabled our customers who are drawers to define and query the guarantee amount of our Bank within the scope of the lower limits defined from the cheque guarantee limit to the checkbook/form by scanning the QR code on the cheque sheet via VakıfBank Mobile Application.
- Acting on the motto of “Digital facilitates,” we developed a new innovative product in line with customer demands and needs. With IBAN Reading, we enabled our customers to transmit their IBANs on their photo, PC, or phone screen with OCR technology.
- We have assured that VakıfBank Mobile users can perform the collection process without any data entry, from the tax offices they are affiliated to or from the GIB Internet Tax Office, after having the barcode on the Tax Accrual Receipt read into VakıfBank Mobile application, without any error and easily.



## Applications and Innovations

### By carrying out the “first e-letter of guarantee” transaction of Turkey, we started the e-letter of guarantee period in customs transactions to integrate Customs’ General Directorate into the system.



- By offering 18 different payment options to taxpayers through branches and digital channels, we offer the most comprehensive solution in the sector, with 32 other options for tax inquiries and payments. We make life easier for taxpayers with our innovative products and services in the digital field. Regardless of working hours, we enable our customers to make their tax payments quickly and easily with all our channels.
- We applied to the Revenue Administration for tax types that are not collected from our bank. We ensured that new tax types, including the Special Consumption Tax on Petroleum and Natural Gas Products (0071), are also managed by our Bank.
- In order to increase the market share and collection volume of our Bank in tax collections among other public banks, we have contacted the banks with the highest taxpayers and made tax payments by many private banks through our Bank. As a result of all the systematic developments and intensive marketing activities, our tax collection volume increased by 276% in 2020 compared to 2019.
- In parallel with the increase in tax collections, there was a significant increase in SSI collections from our Bank in 2020. In 2020, our volume of SSI collections increased by 29% compared to 2019. Our Bank made an SSI collection of TL 27 billion in 2019; this volume was TL 35 billion in 2020.
- 2020 has been a year of radical changes in Customs taxes. We have offered innovative alternative collection channels such as customs tax payment with Barcode/QR code and API integration via mobile banking. In this way, we ensured that many corporate companies operating in different sectors were paid customs tax. As a result of the improvements we made, our total customs tax collection volume increased by 70% in 2020 compared to 2019.
- We have added new features to our existing web service products such as Online Mass Payment System, Online Account Movements, Online Tax Payments, Online Direct Debiting System, in line with our customers’ demands so that our customers can make their transactions more flexible through web services / APIs. In this way, we continue our preparations for Open Banking, which will be activated in 2021, and invest in the technologies of the future today.
- By defining donations to the “Biz Bize Yeteriz Türkiyem” Campaign, which was initiated nationwide due to the COVID-19 pandemic that hit the world and spread in our country, we made a new institution definition for donation collection, enabling donors to make payments through the internet/mobile banking, branches and call center channels.
- By carrying out the “first e-letter of guarantee” transaction of Turkey, we started the e-letter of guarantee period in customs transactions to integrate Customs’ General Directorate into the system. By integrating with the EKAP platform, which transfers the Temporary Letter of Guarantee and Letter of Reference to the electronic environment, we have provided our customers’ letter of guarantee processes in the digital environment in the fastest way.
- For our customers to complete their transactions faster and more practically, we eliminated the separation of Remittance and EFT and simplified the money transfer screens.
- VakıfBank launched the Easy Address System (KOLAS), the preliminary stage of the FAST (Instant and Continuous Transfer of Funds) system, which enables sending money with mindful personal information such as mobile phone number or TR ID number instead of IBAN.
- In 2020, we completed the development of the Instant and Continuous Transfer of Funds (FAST) Project under the leadership of the CBRT. Within the Easy Address System’s scope, our customers will be able to make their payments more easily with FAST by using their phone number, ID number, or e-mail address information. With the FAST system implemented in 2021, the money transfers between our customers’ accounts in various banks will be provided within seconds, seven days, 24 hours.

## Para transferinin kolayı VakıfBank'ta

VakıfBank Kolay Adres Sistemi ile IBAN'a gerek duymadan 7/24 para transferi dönemi başlıyor. Tek yapmanız gereken IBAN yerine cep telefonu numaranız, e-posta adresinizi ya da T.C. kimlik numaranızı sisteme tanımlamak. Böylece para transferi gerçekleştirecek kişi size kolaylıkla para transferi yapabilirken siz de IBAN paylaşmakta uğraşmayacaksınız.

VakıfBank, daima seninle.

## VakıfBank'ta FAST ile para göndermek çok kolay

Kolay Adres ya da IBAN'la 7/24 dilediğiniz kişiye dilediğiniz anda para gönderebilirsiniz.

VakıfBank, daima seninle.

## VakıfBanklı olmayanlar için de karekodla para çekme kolaylığı VakıfBank ATM'lerinde

VakıfBank'tan, VakıfBanklı olmayanların da hayatını kolaylaştıracak bir ilk. "Bu dönemde temas en aza indirmek hedefindeyiz" diyerek VakıfBank müşterilerinin Bankacılığında Karı Merkezi üyesi diğer banka ATM'lerinden, diğer banka müşterilerinin de VakıfBank ATM'lerinden karekodla para çekebilmeleri sağlayan Karekod Yönlendirme Sistemi'ni hayata geçirdik.

VakıfBank'ta dijital kolaylıklar.

- We ensured that QR withdrawal/deposit transactions are performed before login by entering only the password and amount without logging into VakıfBank Mobile.
- We facilitated our customers to update their contact addresses using our Digital Channels.
- In line with the Customer Experience, we made it possible to evaluate our projects in VakıfBank Mobile so that they can share their expectations and experiences with us.
- We launched the "Digital Password" project, which will enable access to our channels with a single password by unifying the Internet Banking password and VakıfBank Mobile password.
- We have launched the My Documents menu so that our customers can access the documents of their transactions retrospectively.
- We enriched the My Assets menu's functions, where our customers can inspect their assets in detail and review their history.
- We launched the cash flow function for our commercial customers.

- We have moved our non-financial APIs to the real environment so that Fintechs can connect to our services and show our products and services in their applications. Also, we have completed the work to open about 60 APIs, including financial transactions. APIs, which enable making customs tax payments, started to be used in foreign trade companies and customs companies in the real environment.
- In order to make the expense costs of our customers predictable in foreign trade transactions and to increase their foreign trade volumes, we launched "Foreign Trade Transaction Packages."
- We introduced the "Planned Work Schedule" menu to notify our customers in advance throughout the installations we performed on digital channels. Thus, our customers will be aware of planned work and interruptions in advance.
- We have completed software studies for DBS collections made in TL only in terms of Foreign Currency (FX) and Gold. We signed DBS protocols in FX with many companies and uploaded invoices.

**We launched the "Digital Password" project, which will enable access to our channels with a single password by unifying the Internet Banking password and VakıfBank Mobile password.**



# OUR MANUFACTURED CAPITAL

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## Material Topics & SDGs

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Financial Inclusion



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**RISKS**

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High costs of technological investments

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Differentiation of customer products and demands

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*Certain customer groups having problems accessing banking services*

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*Impacts of climate change-induced disasters on fixed assets*

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**OPPORTUNITIES**

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Development of new software and applications

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Innovative financial solutions developed to provide fast, reliable and practical solutions

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*Positive contribution of widespread access to finance to customer perception*

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*The positive contribution of improvements in operational processes to climate change*

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**Number of Branches**

**936**

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**Number of ATMs**

**4,247**

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**ATMs for Barrier-Free Life**

**3,978**

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**Share of Transactions from ADCs**

**96%**

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## Financial Inclusion

**During the COVID-19 pandemic, we have implemented many applications for our customers to make their transactions comfortably from where they are, without going out.**

# 936

Branches

# 4,247

ATMs

We offer financial solutions in line with the needs of our customers from all walks with our efficiency-oriented policies, modern banking products, and services, including retail and private banking areas as well as Corporate, Commercial, Agricultural, Local Administrations, and SME Banking through our IT system infrastructure that is compatible with the requirements of the age and our widespread branch network.

We are working to facilitate access to finance with our branches, of which 24% are rural, and 18% are in priority regions for development in our field settlement consisting of 936 branches and 26 regions. We provide banking services to reach more people with our digital banking applications that enable use regardless of location and time. We carry out 95.92% of the transactions in our bank through our non-branch channels.

We continue to provide services abroad to our customers through branches in Vienna, Frankfurt, and Cologne of our subsidiary VakıfBank International AG, which was established to carry out banking operations abroad our three branches in New York, Bahrain, and Erbil. Meanwhile, with our Board of Directors' decision dated April 4, 2019, it was decided to open a Qatar branch. The necessary permission was obtained from BRSA on June 25. With the license approval we received from the Qatar Financial Center on May 10, 2020, regarding the branch's opening, we became the first and only Turkish Bank with a banking license in Qatar, which is progressing towards becoming an even more powerful financial center. As the "power supporting" the Turkish entrepreneurs and business people operating abroad, we expand our activities abroad. In this context, we are planning to open a representative office in China after the pandemic.

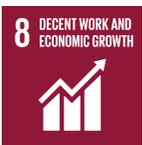
We use our technological power to enable our disabled citizens to benefit from financial products and services easily, and we make arrangements in both our branch and non-branch channels.

We proceeded to be with our customers during the COVID-19 pandemic that affected our country and the world. We have carried out many studies during the pandemic to ensure that our customers can do their transactions comfortably from where they are, without going out. In this context, we have

delivered 80,000 of our salary customers who do not have a Bankomat card to their home addresses after collective card printing. In order to enable our customers to use their credit cards and Bankomat cards in a contactless way in payment transactions and to allow the use of the mobile contactless payment feature, we have continuously published announcements through our Bank's communication channels. Moreover, we organized campaigns focused on contactless payment and e-commerce to promote contactless payment and mobile contactless expenses. We increased the upper limit of Credit Card Contactless payment to TL 250. With the awareness we have provided that our customers perform their payment transactions following social distance rules.

As VakıfBank, in line with our goal of standing by all segments of society, we continued to offer solutions tailored to our customers' requirements and enable them to make savings with the products and services we developed in this period. **In addition to our Young Bee Account product, which we offered to our customers in 2019 to make savings for young people, in 2020, we also provided a Star Bee Account for family members who want to save for their children.** Hence, by opening a Star Bee Account for their children up to 18, either on their behalf or on behalf of their child, parents can earn daily interest on their savings and invest money whenever they want, and use the savings when needed. During the pandemic, where we once again realized the importance of saving, the number of people who wish to secure their future by saving against unexpected risks also increased. **In this period, we aim to contribute to spreading the habit of saving, mainly among young people, with our Young Bee and Star Bee accounts.**

In this period, we also enabled our marketing staff to open time deposit accounts during customer visits with the Mobile Field Sales (MFS) Time Deposit Account, which allows our customers to open deposit accounts during active sales. We launched the Bee Account, our brand product, to be opened via MFS as well. We continue to support our customers during the pandemic with our applications that facilitate our bank's access to deposit products.



### Comprehensive ATM Services

Thanks to our network of 4,247 ATMs dispersed across a wide area in Turkey, we provide our customers to realize more than 70 branch banking operations more quickly on a 24/7 basis, without waiting in the queue inside our branches.

Approximately 22% of our ATMs are located in rural areas and 25% in regions for development. However, 94% of our ATMs consist of Barrier-Free Life ATMs.

This year, we have taken innovative steps on the data matrix to practice our information technologies competence. We added new applications to the money withdrawal and card payment functions with QR, which we have used in the past years. After the Interbank Card Center (BKM) centralized the data matrix payment services, we became the first bank to complete this practice. VakıfBank customers can now withdraw money from other bank's ATMs, which are incorporated in the project, with a QR code with the "DataMatrix Routing System" project that has been put into practice quickly. Furthermore, the customer of another bank, a member of BKM and completes this project, can withdraw money from VakıfBank ATMs with a QR code with their bank's mobile application. We added value to the system by taking part in the "QR Code Routing System" with nearly 5 thousand ATMs across Turkey.

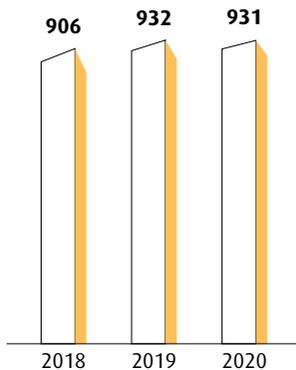
The ability to withdraw money without touching the card and ATM or entering a password with the data matrix in our ATM devices has gained more weight due to the hygiene concerns that have increased throughout the pandemic. In this context, the number of withdrawals with the data matrix increased approximately three times, and the total transaction amount increased about six times.

Our ATM's duty as our Bank's main channel, primarily in withdrawal and money deposit transactions, continued by getting stronger. We enabled our customers to withdraw money in foreign currency from their US Dollar, and Euro accounts from our ATMs in locations deemed necessary. We started accepting MIR cards, the largest card company in Russia, from our Bank's ATMs. During this period, we also carried out Public Joint ATM Platform activities under the umbrella of Turkey's ATM Center (TAM).

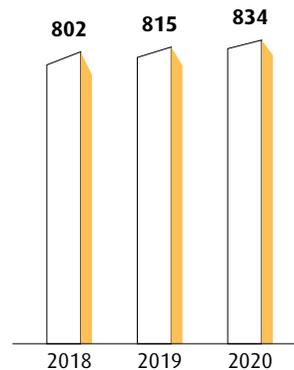
Thanks to our network of 4,247 ATMs dispersed across a wide area in Turkey, we provide service on a 24/7 basis.



Number of ATMs in the Rural



Number of ATMs in Priority Development Areas\*



\* Districts other than the central districts of the provinces are rural; on October 19, 2006, 50 provinces within the scope of I. Degree Development Priority Areas included in the Official Gazette numbered 2006/11105 were determined as Priority Areas for Development.

## Financial Inclusion

**Our efforts for the comfort our disabled customers are not limited within our branches, but we try to facilitate their access to financial services in other channels, too.**

**Number of ATMs Suitable for the Use of Visually Impaired People**

**3,978**

**Number of ATMs Suitable for the Use of Physically Disabled People**

**1,813**

### **Banking without Barriers**

We aim to remove barriers in access to banking services, and we are trying to find solutions to make life easier for disabled people by being involved in the Banking Services Working Group for Disabled Citizens of the Banks Association of Turkey (BAT).

While designing our branches' entrances and interior designs to make them eligible for the use of our physically disabled customers, we are working to provide palpable surfaces, call buttons, emergency voice, and light guiding devices, and Braille embossed handles and disabled desks.

Our efforts for the comfort our disabled customers are not limited to our branches. However, we also try to facilitate our disabled customers' access to our other channels' financial services. In order to provide better service to our disabled customers, we prepared our basic contracts in Braille Alphabet and voiced. Thus, we aim that our disabled customers can safely perform their Barrier-free banking transactions.

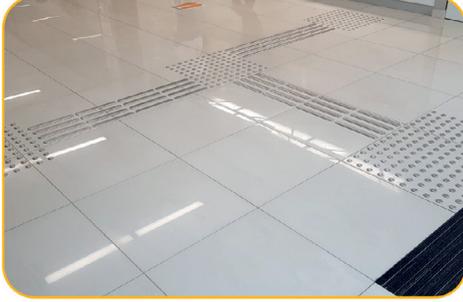
In 2020, we voiced ten contracts, including the Individual Product and Service Package Contract, the Basic Banking Information Form, to ensure that our visually impaired customers can instantly access the content of the contracts related to their transactions through our branches, and we enabled our customers to listen to the voiced document in our branches.

We make the screen and keyboard height and physical location of our ATMs suitable for wheelchair access. The ratio of our ATMs, which are arranged for the use of our physically disabled customers, in all of our ATMs is 43%. At the locations of our 3,978 ATMs, we ensure that visually impaired people, whether they are customers of our Bank or not, can perform their transactions with a headset's help.

We offer our internet and mobile banking services compatible with the screen reader programs used by our visually impaired customers. We increased the dialing time of the voice response system for our disabled customers, making it easier for our customers to connect to telephone banking. All brands and models of physical POS devices used by our Bank in the field and Cash Register POS Devices using our Bank application are equipped with keys with an embossed surface. When our "Voice Signature" project, which we carry out in our Call Center, is completed, we aim to provide convenience to our visually impaired customers who have difficulty dialing for our security confirmations.

For our hearing impaired customers, there is a web chat application on our website. With the development made in our Call Center in 2019, our hearing-impaired customers can use our electronic correspondence channel service, where they can get lost stolen service and support. While continuing our "Video Service" project, where our disabled customers can receive assistance from our Call Center, we also provided sign language training to our customer representatives who will serve as part of the project.

In addition, we offer our customers who have disability status in their Registered Information and our customers over the age of 60 the option of firstly connecting to the customer representative in the Voice Response System.



We continue our work in our branches to make them accessible to our disabled customers.

**Voice and illuminated assistant call button system applications in branch entrance and WC areas**

**Q-Matic priority**

**Branch entrance and Braille information board applications within the branch**

**Sensible walking surface application in the branch**

**Emergency voice and light guidance system applications**

**Branch entrance fixed or mobile foldable ramp applications**

**Accessible counter applications**

**Anti-slip tape and glass security tape applications**

**Induction loop system applications**



# OUR SOCIAL AND RELATIONAL CAPITAL

## Material Topics & SDGs

Customer Experience and Satisfaction



Financial Literacy



Stakeholder Engagement and Transparency



Supplier Management



Social Responsibility



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**RISKS**

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Failure to meet customer demands

Not taking part in compulsory or voluntary platforms

*Damage to corporate image*

*Negativities experienced due to inefficient or economic and managerial insufficiencies of suppliers of products or services*

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**OPPORTUNITIES**

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Projects focused on improving customer experience and loyalty

Access to a wide stakeholder ecosystem with transparent information

*Increasing brand awareness with corporate social responsibility projects*

*Considering corporate, environmental and social criteria as well as costs in the supplier evaluation process with the understanding of "Responsible Supply Chain"*

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**New Customers Gained**

**1,989,421**

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**Children Participated in VakıfBank Sports Club  
Youth Setup**

**1.100**

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**Books Published Under VakıfBank Culture Publications**

**50**

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**Awards Received in the Sports Field**

**5**

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## Customer Experience and Satisfaction

**We digitalized the processes of becoming a customer and using loans in the pandemic process, where it has become vitally essential for our customers to perform their transactions without visiting our branches.**

Within the scope of our customer and quality-oriented growth strategy, we completed the installation of the ISO 9001:2015 Quality Management System in 2017. In this context, by first aligning the banking processes of the Head Office departments and all branches with the ISO 9001 Quality Management System, we have certified all our locations, including our branches and regions, with **ISO 9001:2015 Quality Management System as of 2019. In addition, as a result of the external audits carried out in 2020, we maintained the continuity of the certification.**

We also prioritize customer satisfaction within the framework of our banking approach with our Customer Satisfaction Management procedure, which we created under the guidance of ISO 9001:2015.

**We established the Department of Customer Experience and Management in 2020 to manage CRM (Customer Relationship Management) and customer experience activities under a single roof more effectively and to increase efficiency with focus.**

In order to improve customer experience and loyalty, we carry out efforts to minimize the time spent in the branch and to offer the relevant products to the person according to the preferences and tendencies of the customers.

It has become vitally important for our customers to reduce their time at our Bank's branches and even perform their transactions without visiting our branches during the pandemic process. Thus, we have rapidly digitalized the processes of becoming customers and using loans, which require our customers to be physically present at the branch. We have ensured that the transactions are progressed without interruption in this process.

In this context, we realized the opening of customers by providing the necessary checks for our customers who want to use Consumer Loan and fill out the web form in the "Become a Quick Customer" step [www.vakifbank.com.tr](http://www.vakifbank.com.tr). We ensured that our customers, who were deemed suitable, could meet their loan needs without ever visiting our branches. The fact that Standby Loan's placement share in all Installment Consumer Loans is 21% indicates that the customers adopt the effective development we have made towards the needs.

For our customers, we define the VakifBank experience as "the sum of all communications between the Bank and the customer, starting before the product sale and aiming to meet the customer's needs after the product sale." To be able to follow all the movements of our customers in this process, both emotionally and physically, we started

to prepare travel maps. We analyzed and mapped the Personal Loan Application / Lending processes, Time Deposit Account Opening / Interest Authorization, Real Customer Creation / Customer Information Update processes, where our transactions are most intense. **We will continue our investigations, starting with the branch channel and continuing on mobile banking - internet banking channels, by examining all screens that touch customers.** We began to take action on problematic points detected, and we observe that the improvements we make are an increase in customer satisfaction.

We also use customer-based measurement metrics for customer experience success. **To measure the Net Promoter Score in all our channels, we use our Banking application, where parametric information can be entered.** Currently, we can measure satisfaction in branch and call center channels and monitor the branch-based monitoring of measurements made in the branch channel instantly thanks to dashboards. In the next step, we aim to present real-time surveys on a customer transaction basis via SMS channel. In this way, we will create an opportunity to analyze customer perception in real-time and further improve our customer experience.

We have expanded the Notifications Project's scope on a transaction basis, in which we provide detailed information to our customers in the retail segment after or before the transaction. With Real-Time Campaign Management, we can offer the service they are interested in for our customers and our SME and commercial customers, whenever they need it, through the channel they are interested in.

**With the Behavior Segmentation that we completed at the beginning of 2020, we continue our customer-focused work, taking into account our customers' product preferences, product and channel usage, and communication preferences.** Moreover, we developed models that show the regular payment and deposit product trends of our customers. According to this model's results, we started to offer beneficial campaigns to our customers to increase our customers' satisfaction with high product tendencies.

By completing our model studies to determine our customers' value segments in the SME segment, we started to take particular actions for our customers. Additionally, we aim to complete our work on behavior segmentation and product trends of our customers in 2021 and diversify the products and services used by our customers from our Bank.

In line with the developments in our organizational structure, we established the Deposit Products Management and

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



Marketing Department to carry out the deposit management effectively, acknowledging the increase in the banking sector's need for resources. We develop products and campaigns that appeal to a broad audience in line with the demands and needs of customers through the SME Deposit Marketing Department and the Retail Deposit Marketing Directorate, which are under the Presidency, **to provide effective and transparent pricing of time deposits, to determine the interest-rate sensitivity of customers accurately and to offer customer-specific deposit campaigns.** We conducted studies on new customer acquisition in line with our policy of creating a widespread deposit portfolio. **We determined our customers' interest-rate sensitivity within these studies' scope and offered customer-specific campaigns, thereby increasing the volume of savings deposits and customers' numbers.** Furthermore, as a result of our data analytics studies to get to know our customers, we offered customer-focused campaigns specific to the target audience regarding customer savings habits and revenue expectations. We plan to implement an artificial intelligence-supported pricing model to respond more accurately to our customers' deposit pricing requests with different price sensitivity in the upcoming periods.

We create personalized financial solutions with our expert Private Banking portfolio managers. At our particular service points designed with an emphasis on customer comfort, in addition to standard banking products, we manage our customers' presence following their risk and return expectations. In 2020, we opened the Nişantaşı Branch of our Private Banking segment, where we serve in our branches specially designed for our high-income group customers. **Thus, in the tenth year of the VakıfBank Private Banking establishment, it reached nine branches, 4 in Istanbul and the others in Ankara, Izmir, Bursa, Adana, and Antalya.** By placing our growth policies on the axis of new customer acquisition and customer satisfaction outside the bank, we increased our asset size by approximately 67% in 2020 compared to the end of 2019. Throughout the year, we focused intensively on customer acquisition and customer loyalty. In 2020, we achieved a 33% increase in customers' numbers with efforts aimed at target customer groups.

We chose to minimize paper consumption and reducing operational costs while improving customer experience in the **"Paperless Banking"** project, which we initiated to become an environmentally friendly bank within the framework of our sustainable banking vision. **We transformed this project design process, which started with the digital approval of loan agreements, into a versatile project aiming to reduce the total paper consumption.** With the project, physical inventory transactions determined in our units and branches will be declined with the awareness of social responsibility. Transactions will be carried out through digital channels such as mobile banking/internet banking as much as possible. In this context, we have completed the digital approval processes of the documents other than the housing loan agreement and its annexes, for which the customer signature was obtained during the use of the housing loan. **Thus, we both shortened transaction times and increased customer satisfaction while saving paper, contributing to the national economy, our Bank's sustainability strategy, and reducing carbon footprint.**

In 2020, we increased the **range of insurance products sold on digital channels and Call Center** to ensure that customers can have insurance products that will make them more secure by following customer demands and insurance products in the sector. Considering customer demands, we started developing our Casco product from mobile and internet banking in 2020. We continue sales through channels related to increased customer satisfaction. We continue to carry out the necessary systemic integration studies with Türkiye Hayat Emekli li k A.Ş. and Türkiye Sigorta A.Ş, which cooperated based on the merger decision of the public insurance companies. As a result of the cooperation, we met customers' needs in the Retail, SME, Commercial and Corporate segments for insurance products, significantly increasing insurance penetration and commission income from insurance product sales. **In 2021, we plan to increase the variety of insurance products to be sold through our branches, mobile banking, internet banking, Call Center channel, and our website with our customer-oriented strategy.**

We also have the **ISO 18295-1 Customer Communication Centers Standard Certificate**, which is accepted as an international standard by the European Union (EU) for our Call Center and customer contact centers and is one of the industry's most necessary certificates.

We try to establish effective communication through every channel by diversifying our communication channels with our customers. Our customers can reach us and convey their notifications through the Call Center, internet banking and mobile banking, branches, mail, corporate website, social media accounts, official institutions, and internet complaint sites regarding our Bank's products and services.

Moreover, we manage suggestions, complaints, requests, and objections submitted through BAT, BRSA, CIMER, and other official institutions through our banking application. This year, we responded to 99% of 866,077 applications submitted to our Bank. We responded positively to 82% of the resolved notifications.

We work to resolve any suggestions, complaints, and requests from our customers as soon as possible and accept that every customer who gives feedback within our Customer Satisfaction Policy framework is "right." We consider every issue communicated to us as an opportunity to improve ourselves. We ensure that the necessary actions are taken to detect applications that cause customer dissatisfaction, providing feedback and improvement/development needs regarding these applications.

In order to establish strong, lasting, and transparent relationships with our customers, we prepare monthly, quarterly and annual reports and share them within our Bank. We organize meetings with broad participation every three months and take the necessary decisions and actions for our development areas. Additionally, we attach importance to the highest level of monitoring of the issue with the presentations we make to the Audit Committee and the Board of Directors.

You can access our Bank's Customer Satisfaction Policy on our website at <https://www.vakifbank.com.tr/customer-satisfaction-policy.aspx?pageID=3996>.

**To measure the Net Promoter Score in all our channels, we use our banking application to make parametric data entries.**

# Stakeholder Engagement and Transparency

**We strive to improve the value we add to all our stakeholders. We are committed to always standing by our stakeholders.**

We seek to efficiently manage the assets entrusted to us with the strength we receive from the foundation culture that forms our bank's basis, with a transparent and ethical approach. With this approach, we strive to sustain the value we add to all our stakeholders and always commit to being on their side. For this purpose, we pursue our work with a comprehensive stakeholder ecosystem, aware of the necessity of effective communication with them. While working to include all of our internal and external stakeholders in our decision-making mechanisms, we ensure continuity in our relations with various communication mechanisms to make our dialogue permanent.

In 2020, we advanced our efforts to strengthen our relations with investors or intermediary institutions and inform them.

#### **Effective communication with investors**

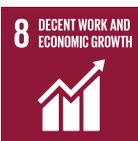
We have responded verbally and in writing to information requests submitted by shareholders. Within the scope of the measures taken for the COVID-19 pandemic, since all meetings, training, and conferences to be held in-bank and face-to-face were banned as of March, we met with approximately 310 investors/analysts in more than 150 meetings, primarily via teleconference and videoconferencing. We participated in 9 local and foreign investor conferences and webinars. We held online meetings with over 200 domestic and foreign institutional investors. After the investor information conferences attended, we prepared reports in line with the investors' information and presented them to the senior management. In close contact with all analysts who prepared reports on VakifBank, we conveyed accurate and sound data to analysts during the reports' preparation and provided feedback on their prepared information.

#### **Interactive financial presentations**

We prepared detailed presentations to declare the results of the financial statements. We presented the related financials for the period in detail to analysts and stock/bond investors in 4 teleconferences organized via webcast. We made available the records of the teleconferences on the English page of our website.

#### **Relations with Rating Agencies**

We held annual due diligence meetings with Moody's, Fitch, and JCR. We provided detailed information concerning the question sets posed about VakifBank's financial performance and strategies.



## Communication Channels

Stakeholder Groups	Interaction Channels
Shareholders, Investors, Financial Analysts	General Assembly Meetings Information Documents (Integrated Annual Report, Annual Report, Interim Report, Bulletin) and Publications (CDP Report, Sustainability Report) Conferences, Teleconferences Brief Meetings Corporate Website
Senior Management	Executive Summits Committee Meetings
Employees	Corporate Portal VakıfBank BizimYerimiz Journal Performance Evaluation Internal Customer Satisfaction Survey In-Company Events In-Company E-mails In-Company Social Clubs In-Company Social Responsibility Projects @vbizimyerimiz Social Media Account
Trade Union	Collective Bargaining Negotiations
Public Enterprises	Regular Reporting Audit Joint Projects
Customers	Call Center (0850 222 0 724) Head Office and Branches Social Media Accounts Corporate Website Internet and Mobile Banking Applications (My Requests Menu)
Financial Institutions	Assessment and Brief Meetings (Bank's detailed due diligence process) Brief Meetings
Suppliers	One-to-one Meetings
Sectoral Institutions and Non-Governmental Organizations (NGOs)	One-to-one Meetings, Sponsorship Meetings, Events Joint Projects
Universities	Meetings Joint Projects
Media	Press Meetings Interviews Bulletins News Press Trips Network Meetings

We held annual due diligence meetings with Moody's, Fitch, and JCR. We provided detailed information concerning the question sets posed about VakıfBank's financial performance and strategies.

## Memberships and Collaborations

Member of Organizations or Supported Initiatives	
United Nations Women's Empowerment Principles-UN WEPS	United Nations Global Compact-UNGC
Turkish Capital Markets Association (TCMA)	Integrated Reporting Turkey Network (ERTA)
The Banks Association of Turkey Role of Financial Sector in Sustainable Growth Working Group	Equality at Work Platform
The Banks Association of Turkey Banking Services Working Group for Disabled Citizens	Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank-ADFIMI
Institute of International Finance-IIF	National Computer Emergency Response Center (USOM, TR-CERT)
International Chamber of Commerce Turkey (ICC)	Sectoral Cyber Incident Response Team (SCIRT)
Corporate Communicators Association (KID)	Interactive Advertising Bureau
Advertisers Association (RVD)	CEO Club
Hope Foundation for Children with Cancer (KAÇUV)	Darüşşafaka
Spinal Cord Injury Association of Turkey (TOFD)	Forestry Development and Forest Fires Fighting Services Support Foundation (OGEM)

## Corporate Social Responsibility at VakıfBank

**While serving our stakeholders within the framework of “always right beside you” understanding, we establish our corporate social responsibility roof by saying, “I am always with you.”**

**In 2020, we undertook the establishment of 15 Artificial Intelligence Workshops and more than 170 Information Technologies Laboratories in multiple cities across the country.**

As a requirement of the Anatolian heritage that we carry in our capital, we make the awareness of social responsibility an integral part of our corporate culture. We have a special duty to operate in areas that will provide social benefits. While serving our stakeholders within the framework of “always right beside you” understanding, we establish our corporate social responsibility roof by saying, “I am always with you.”

In addition to sustainable projects that have been going on for many years, we also fulfill our duty in periodic needs. When necessary, we shape our financial services with a similar awareness. In a challenging year under pandemic conditions such as 2020, we continued our social responsibility projects without interruption. Furthermore, we said I am right beside you in hard times by ensuring that all society segments have uninterrupted access to finance under suitable conditions.

We continue to take our education, culture, and sports projects one step further every year and reach more people. We made efforts and transferred resources to special children’s education, cultural broadcasting, and sports infrastructure this year with this perception.

### Education

Within the scope of the support we provide to the Ministry of National Education Science and Art Education Centers (BİLSEM), we continued to contribute to the special education of specially qualified children. **Throughout the year, we undertook 15 Artificial Intelligence Workshops and over 170 Information Technologies Laboratories** in cities such as Istanbul, Izmir, Bolu, Trabzon, Bursa, Kayseri, and Adana. Thus, we approached 230 as the total number of classrooms and workshops established by our supports and 54 Mechatronics and Mind Games Workshops installed in the previous years.

**VakıfBank**  
*Daima seninle*



 VakıfBank

4 QUALITY EDUCATION



5 GENDER EQUALITY



10 REDUCED INEQUALITIES



**With more than 50 works published in 2020, the total number of VakıfBank Cultural Publications (VBKY) books approached 90.**

### Culture

VakıfBank Culture Publications (VBKY), which we established in 2018 intending to contribute to the cultural accumulation in our country at a national and universal level, bringing the works that are waiting to be brought to light or being brought to our language with the reader, and transferring the cultural heritage to future generations, continues its publishing life with firm steps. With more than 50 works published in 2020, the total number of books is close to 90. VBKY continues to publish respectable and qualified books in literature, history, philosophy, economics, art, people, and society intersections.

This year, we donated to large libraries (Nation's Library, National Library of Turkey) and some universities' libraries to increase VakıfBank Culture Publications' access. Additionally, by publishing the book History of VakıfBank, we have published a book covering the development of foundations, the story of banking in the Ottoman and Republic periods, and the journey of VakıfBank from its establishment to 2020.



**VakıfBank Women's Volleyball Team, which is the flag team of Turkish sports, so to say, continued to remain at the top in every field it competed in 2020.**

### Sports

Leaving its 34<sup>th</sup> year behind, VakıfBank Sports Club continues to be one of VakıfBank's precious parts. Representing Turkish women and Turkish volleyball successfully in the international arena with the cups and championships, VakıfBank Women's Volleyball Team, which is almost the flag team of Turkish sports, continued to be at the top of every field it competed in 2020. Our team, which completed the Turkey League as a leader, which was registered without a champion due to the pandemic, was similarly continuing on its way without a loss in the European Champions League, which was also left in the middle.

With VakıfBank Sports Club, which continues to be "Turkey's most trophy-winning team in the international arena," with 4 European Champions Leagues, 3 Clubs World Championships, and one CEV Cup and Challenge Cup, we succeeded in marking our name in the second Guinness World Records in 2020. Our team, which previously managed to be the most official volleyball team winning the most official matches in a row with 73 wins streak, has earned a new registered record with the World Championship won three times (2013, 2017, 2018).

This year, we advanced our infrastructure activities, one of our most valuable social responsibility investments, without interruption and strength. Our youth team, which is composed of youth athletes, succeeded in promoting the higher league in the professional leagues it competed in and succeeded in being the club that sent the highest number of athletes to national teams in all age categories. We continued our activities under the pandemic conditions in our sports schools in Istanbul, Ankara, Izmir, Bursa, and Bosnia Herzegovina, which work to raise volleyball players between the ages of 7-14 as good individuals and good athletes. In our volleyball schools, which have given education to more than 3 thousand girls in the last five years, we continue with determination to bring talented young people to Turkish sports.

This year, we also prepared a particular song for October 11<sup>th</sup> for Girls of the World with the title "A Gift From Legends to Girls." Our piece, which we composed to give girls the belief that they can be successful in all areas of life and inspire them, was broadcast on VakıfBank Sports Club's social media accounts and television and reached a broad audience.



## Responsible Supply Chain

**In 2020, we increased our number of suppliers by 18% to 1,979.**

**The payments we make to our suppliers, 85% of which are local, are approximately 99% of our total supplier payments.**

We evaluate our suppliers' economic and managerial competencies and expect them to comply with BRSA regulations and our policies based on agreements and contracts. We take care to ensure that all companies employed in the procurement of support services provide the quality cost balance best. We pay attention to some criteria in corporate, environmental, and social areas. In this context, our Supplier Selection and Compliance Policy determines the issues that our suppliers should comply with in terms of legal compliance, human rights, continuity of service, anti-bribery, and corruption, confidentiality, and sustainability. It is also available on our website.

Moreover, every year, our Bank conducts on-site inspections by visiting companies within Regulation's scope on Procurement of Support Services through internal audit teams and financial analysis teams.

In 2020, we increased our number of suppliers by 18% to 1,979. The payments we make to our suppliers, 85% of which are local, are approximately 99% of our total supplier payments. We focused on the use of digital applications to minimize contact due to the COVID-19 outbreak. Hence, we aimed to keep the loss of workforce at a minimum level. By using the E-Procurement System, we enabled our suppliers to access the tender remotely and to bid.

You can access our Bank's Supplier Selection and Compliance Policy on our website at <https://www.vakifbank.com.tr/supplier-selection-and-compliance-policy.aspx?pageID=3997>

4

QUALITY  
EDUCATION

8

DECENT WORK AND  
ECONOMIC GROWTH

## Affiliates and Subsidiaries

**With the VakıfBank Finance Group brand, we offer a one-stop banking solution to our customers' needs.**



With our ten subsidiaries under the umbrella of VakıfBank Finance Group, while providing a wide range of services to our customers with our extensive branch network and distribution channels that closely follow technological innovations, we provide factoring, leasing, investment services, real estate investment partnership, tourism, valuation, and support services to a significant customer base. We offer products and services in various fields. With its longstanding experience, increased cooperation, and increasingly financial solid structure, VakıfBank Finance Group continues to create added value, enrich product and service quality, and stand by all its customers with new products and services in parallel with technological developments.

VakıfBank Strategy of Subsidiaries; aims to increase the contribution of Subsidiaries to the Bank by optimizing the group synergy of VakıfBank Finance Group, to make the subsidiaries competitive with other companies in the sectors they operate in, to ensure their effective management based on profitability and efficiency, to make their development sustainable and change them into corporate structures

In this regard, VakıfBank goes on working with the aims;

- To increase the service quality and customer satisfaction by improving the synergy that exists with its Subsidiaries,
- To enable the Affiliates to benefit from the Bank's scale and to increase productivity, with the awareness of cooperating as VakıfBank Finance Group,

- To maintain sustainable and profitable growth by strengthening its asset quality with strong balance sheet performance of the group,
- To strengthen subsidiaries' technological infrastructures and to realize the digital transformation of their activities by following the developments in the digital field closely,

### Changes in the Affiliate and Subsidiary portfolio;

Within the scope of the unification of insurance and life and pension companies under a single roof, which is under the control of public banks in the insurance and pension sectors, which are an essential element of the structural reforms planned within the framework of the New Economy Program, VakıfBank's shares in Vakıf Emeklilik ve Hayat A.Ş. (Vakıf Pension and Life Stock Company), which was established in 1991 and engaged in private pension activities with Güneş Sigorta A.Ş. (Güneş Insurance Stock Company), which was established in 1957 to carry out insurance activities under the leadership of VakıfBank, were transferred to Turkey Wealth Fund ManCo. as of April 22, 2020. After the companies' transfer, Türkiye Sigorta A.Ş. was established with the gathering of public insurance companies. With the merger of public pension and life insurance companies, Turkey Hayat ve Emeklilik A.Ş. companies were established.

JCR Avrasya Derecelendirme A.Ş., Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş., Birleşik İpotek Finansmanı A.Ş., Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri San. Tic. A.Ş. are the companies that joined the Bank's affiliates in 2020. The number of Bank affiliates, which was 12 in 2019, increased to 16 in 2020.

## Affiliates and Subsidiaries

### AFFILIATES

**VakıfBank**  
International AG

Capital  
**EUR 100,000,000**

VakıfBank Capital Share  
**100.00%**

Year of Foundation  
**1999**

**Vakıf Leasing**

Capital  
**TL 200,000,000**

VakıfBank Capital Share  
**58.71%**

Year of Foundation  
**1988**

**Vakıf Faktoring**

Capital  
**TL 250,000,000**

VakıfBank Capital Share  
**78.39%**

Year of Foundation  
**1998**

**Vakıf Yatırım**

Capital  
**TL 100,000,000**

VakıfBank Capital Share  
**99.25%**

Year of Foundation  
**1996**

**Vakıf Yatırım Ortaklığı**

Capital  
**TL 30,000,000**

VakıfBank Capital Share  
**17.37%**

Year of Foundation  
**1991**

**Vakıf GYO**

Capital  
**TL 460,000,000**

VakıfBank Capital Share  
**45.71%**

Year of Foundation  
**1996**



**Vakıf Pazarlama**

Capital  
**TL 334,256,687**

VakıfBank Capital Share  
**51.00%**

Year of Foundation  
**1966**

Capital  
**TL 30,241,439**

VakıfBank Capital Share  
**86.97%**

Year of Foundation  
**1993**

**Vakıf Gayrimenkul Değerleme**

Capital  
**TL 30,000,000**

VakıfBank Capital Share  
**97.14%**

Year of Foundation  
**1995**

**Vakıf Enerji ve Madencilik**

Capital  
**TL 85,000,223**

VakıfBank Capital Share  
**65.50%**

Year of Foundation  
**2001**

**SUBSIDIARIES**

<p>Kıbrıs Vakıflar Bankası Ltd.</p> <p>Capital <b>TL 70,000,000</b></p> <p>VakıfBank Capital Share <b>15.00%</b></p>	<p>Roketsan Roket Sanayii ve Ticaret A.Ş.</p> <p>Capital <b>TL 147,052,861</b></p> <p>VakıfBank Capital Share <b>9.93%</b></p>	<p>JCR Avrasya Derecelendirme A.Ş.</p> <p>Capital <b>TL 1,000,000</b></p> <p>VakıfBank Capital Share <b>2.86%</b></p>
<p>Türkiye Sınai Kalkınma Bankası A.Ş.</p> <p>Capital <b>TL 2,800,000,000</b></p> <p>VakıfBank Capital Share <b>8.38%</b></p>	<p>Türkiye Ürün İhtisas Borsası A.Ş.</p> <p>Capital <b>TL 50,000,000</b></p> <p>VakıfBank Capital Share <b>3.00%</b></p>	<p>Bileşim Finansal Teknolojiler ve Ödeme Sist. A.Ş.</p> <p>Capital <b>TL 145,000,000</b></p> <p>VakıfBank Capital Share <b>33.33%</b></p>
<p>Bankalararası Kart Merkezi A.Ş.</p> <p>Capital <b>TL 177,492,990</b></p> <p>VakıfBank Capital Share <b>4.75%</b></p>	<p>Platform Ortak Kartlı Sistemler A.Ş.</p> <p>Capital <b>TL 21,000,000</b></p> <p>VakıfBank Capital Share <b>20.00%</b></p>	<p>Birleşik İpotek Finansmanı A.Ş.</p> <p>Capital <b>TL 50,000,000 TL</b></p> <p>VakıfBank Capital Share <b>8.33%</b></p>
<p>KKB Kredi Kayıt Bürosu A.Ş.</p> <p>Capital <b>TL 7,425,000</b></p> <p>VakıfBank Capital Share <b>9.09%</b></p>	<p>Tasfiye Halinde World Vakıf UBB Ltd.</p> <p>Capital <b>USD 500,000</b></p> <p>VakıfBank Capital Share <b>83.00%</b></p>	<p>Keskinoğlu Tavukçuluk ve Damızlık İşl. San. Tic. A.Ş.</p> <p>Capital <b>TL 110,000,000</b></p> <p>VakıfBank Capital Share <b>39.30%</b></p>
<p>İstanbul Takas ve Saklama Bankası A.Ş.</p> <p>Capital <b>TL 600,000,000</b></p> <p>VakıfBank Capital Share <b>4.37%</b></p>	<p>İzmir Enternasyonal Otelcilik A.Ş.</p> <p>Capital <b>TL 120,000</b></p> <p>VakıfBank Capital Share <b>5.00%</b></p>	
<p>Kredi Garanti Fonu A.Ş.</p> <p>Capital <b>TL 513,134,229</b></p> <p>VakıfBank Capital Share <b>1.49%</b></p>	<p>Güçbirliği Holding A.Ş.</p> <p>Capital <b>TL 30,000,000</b></p> <p>VakıfBank Capital Share <b>0.07%</b></p>	



# OUR HUMAN CAPITAL

## Material Topics & SDGs

Employee Loyalty and Satisfaction



Equal Opportunity and Diversity



Capacity Building and Talent Management



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**RISKS**

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Employee complaints regarding performance management and remuneration processes

Failure to ensure the effectiveness of occupational health and safety practices

Dissatisfaction among employees regarding equal opportunities and diversity issues

Problems in organizational backup plans for critical positions

Increasing competencies with new training and development programs

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**OPPORTUNITIES**

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Being preferred by new graduates

Increasing employee loyalty and satisfaction with in-house activities

Proactive risk management approach

A work environment that preserves the balance of work-family life so that employees can benefit from career opportunities equally

*Filling top positions through the in-bank promotion process*

*Increasing competencies with new training and development programs*

*Promoting personal development*

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## Female Employee Rate

**50.62%**

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## Average Training Time per Employee

**46.97**

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## Employee Turnover Rate

**1.65**

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## Employee Engagement and Satisfaction

**In the COVID-19 pandemic, we have made our branches' physical conditions compatible with the current process by keeping our employees' health at the forefront.**

### Employee Turnover Rate ✓

# 1.65

✓ It has been subjected to limited assurance by the Independent Audit Firm.

We continue to work on recruitment, promotion, performance evaluation, career planning, and training processes. We have adopted the growth strategy and the achievement of the restructuring project we have mainly pursued based on human resources. We offer a business environment where our 16,748 employees will feel happy and safe in order to ensure that they look confidently to the future and experience the privilege of being a VakıfBank fellow.

We think that one of the important factors affecting employee satisfaction is the quality and efficiency of the relationship they establish with other departments in the same organization. Hence, we conduct Internal Customer Satisfaction Surveys at regular intervals in order to measure and evaluate the satisfaction of our employees from the service they receive from the Head Office departments, to carry out the processes more accurately and quickly between the departments which are in a business relationship, to stand out in competition by increasing internal customer satisfaction and to support continuous development.

Furthermore, we carry Employee Loyalty and Satisfaction Surveys at specific times to receive information on our employees' trust in our brand and brand perception, loyalty, work-private life balance, performance management, salary, training and development opportunities, and general evaluations about their managers. With the Employee Loyalty and Satisfaction Survey we conducted in 2019, we examined the satisfaction factors that determined loyalty and defined the areas where employees demand investment, their feelings and thoughts, and the features they desire to improve. Besides evaluating the Internal Customer Satisfaction Survey results, we carried out the necessary steps to take improvement and development actions.

Another action we carry out to get the opinions of our employees is the Suggestion Platform. We are carrying out works to actualize the ideas and suggestions that our employees convey through the platform with the thought of adding value to our Bank. Through the Suggestion Platform, 2,646 suggestions were shared by our employees in 2020, and 29 suggestions were rewarded. Moreover, our employees can submit any kind of feedback and complaints through the Internal Audit Board-Notification Page, which is on the Bank's Intranet and is based on a company internal confidentiality mechanism.

To meet the changing needs day by day, strengthen our technological infrastructure, and obtain more effective results precisely by applying modern technology, we have switched our human resources to new screens. Therefore, we transferred the external infrastructure we practiced before to the screens developed on the application, all of whose software was created by our Bank. Thanks to the design and development of the screens by our personnel, we have prevented the burdensome costs incurred every year due to the services our Bank receives from outside, as well as ensuring that the problems are resolved in a short time with instant intervention in case of any situation in the system. With this transition, beyond transferring existing screens from one application to another, we have ensured that the users are informed of the directions on the screen. The necessary documents are recorded on the relevant screens. The stage of the requests can be monitored on the screen. Hence, we significantly reduced the operational burden.

In 2020, we purchased a Process Modeling Tool to increase the process documentation efficiency that reached a particular maturity, include new needs and developing technologies in our Bank's applications, and create an integrated structure with process performance indicators. We completed the system integration and installations and started the implementation. Simultaneously, with the new structure, processes will be redesigned within the scope of modern end-to-end methodologies, determination and monitoring of metrics and indicators for monitoring process performance and business results, and active use of effective reporting and analysis tools. Consequently, we modeled up to 500 business processes on the new vehicle and determined Key Performance Indicators (KPI) for each business process and department. We will start working on measuring, monitoring, and reporting these indicators in the upcoming period.

Modeling and digital analysis of processes will be a crucial step in determining process improvement opportunities. In this direction, we plan to contribute to our Bank's digitalization, establish the culture of **"continuous improvement,"** and carry out studies to design experience-centered and lean processes in line with **Design-Oriented, Lean, and Six Sigma** methodologies. Additionally, we plan to coordinate, monitor, and report process improvement efforts throughout the Bank from a single point. We have



formed a team that will coach the Business Units in their projects and monitors the works centrally in this direction. We continue to work towards the development of the team.

The most important work carried out in 2020 within the scope of the digital transformation of processes is implementing the BPM (Business Process Management) tool, which we call "Business Demand Management" and developed entirely with our Bank's internal resources. With our design, which can be accessed from the Main Banking software, processes carried out through tools such as correspondence and e-mails have become traceable and reportable by moving to the "Job Demand" application. Thus, we got opportunities for operational improvement. We plan to expand the work scope and move all manually operated flows to the system in the upcoming period.

Within the customer-oriented approach framework, we consider all elements that receive internal customers' service within the organization. With the Service Level Agreement (SLA) project initiated in 2020, we aimed to establish quality standards for the service received and increase the current service quality by determining the expected service level. With the project in question, based on the basic needs of branches and units and our internal customers' experiences, transaction-based services will be defined objectively and measurably, reported, and used as one-to-one input for the performance management system. Besides, after making the organization's service quality measurable and manageable, it will also be possible to make the individual service quality measurable and manageable.

In the COVID-19 pandemic, we made our branches' physical conditions compatible with the current process by keeping customer and employee health at the forefront. We took measures by limiting the number of customers in the branches and enabling branches to operate remotely and from different locations. We have ensured that most of our Headquarters employees continue their work alternately with the remote access model. To provide more efficient service to institutions, we harmonized our branches' working hours within the institution with the institution they are located in. We switched to business casual practice within the scope of hygiene measures. We provided disinfectants with masks to our branches and units, and we performed disinfection processes at regular intervals. We have set up a special team to monitor our employees' health status with a positive COVID-19 PCR test. We manage these employees' returning work processes by taking our workplace physician's opinion within the Ministry of Health criteria framework.

We organized activities in education, environment, arts, and sports in 2020 as part of our internal communication strategy to support our employees in contributing to social life. We reached thousands of children with the "iyilik Kumbarası (Favor Moneybox)," a volunteering movement we initiated to meet village school students' needs in various cities such as stationery, clothing, sports equipment, and musical instruments. Thanks to the same money box, we proceeded with our long-term campaign for animal shelters. We provided the shelters' cleaning and daily use needs, especially food, through our employees.

This year, we continued our efforts at VakıfBank Social Clubs, which we founded to help employees develop and showcase their arts and sports skills. We instituted a Folk Dance Club by adding a new one to Theater, Marbling, Turkish Classical Music, Turkish Folk Music, Polyphonic Music, Football, Basketball, and Chess clubs. Moreover, our employees represented VakıfBank in various corporate tournaments and organizations in different areas, mainly swimming and chess.

We acknowledge that there is a positive relationship between our colleagues' and our customers' happiness. Therefore, we continued to actively use our internal communication channel throughout the pandemic, as in every period, to raise a smile and make them feel valued.

We are aware of the importance of work and private life balance in increasing employee satisfaction. In this context, we had to take a break from our face-to-face activities during the pandemic. However, thanks to our Bank's technological facilities, we continued to support our employees and their families' physical and mental development and increase internal motivation by moving many of our activities to the digital environment. Thus, in this period of avoiding the working environment, we tried to maintain employee loyalty by keeping internal communication alive.

We designed a more dynamic, easily accessible, up-to-date, and fast structure for the renewal of the portal during the pandemic process, in which the importance of digital channel communication once again came to the fore. We have guided our work to create a platform where our employees can easily solve all their needs regarding their mobile and web work. We have completed all our preparations for a brand new portal to be launched in 2021.

In the upcoming period, we plan to produce projects that will contribute more to sustainability, expand our in-house social responsibility projects, benefit more people, and identify our volunteer ambassadors by increasing our colleague's participation in our projects.

Average Year of Seniority

9.97

## Employee Engagement and Satisfaction

**We carried live broadcasts with expert dieticians, breathing therapists, psychologists and pedagogues so that our colleagues and their families can spend this period in the healthiest way possible.**



**We transferred our previous face-to-face conversations and activities to our Instagram account @vbizimyerimiz without interruption.**

### Activities we carried out during the COVID-19 period;

- We sent a pandemic gift set with the concept of "You are very precious" to all of our colleagues with our General Manager's message.
- We provided information on every subject necessary for our colleagues' health and motivation by using e-mail and digital screens during this period.
- In addition to informative content since the beginning of the pandemic period, we strengthened our senior management-employee communication to make us feel that we are with our branch employees, who have been working intensively during this challenging period. We announced the sincere and motivating messages of our senior management through all our channels. We have prepared videos in which we thank them for their hard work and emphasize that we are a family.



- We conducted live broadcasts with expert dieticians, breathing therapists, psychologists and pedagogues so that our colleagues and their families can spend this period in the healthiest way possible.
- Discourses with the concept of "We at VakıfBank," which are about unity-togetherness and success, and increase motivation, started to occur on our computer screens and phone screens.
- We transferred our previous face-to-face conversations and activities to our Instagram account @vbizimyerimiz without interruption.
- For Mother's Day and Father's Day, we held live concerts, competitions, and interviews with famous names on Instagram, where our colleagues can also make requests.
- We started to publish the birthdays, the most memorable days of our employees, in a separate module on the portal. It has become a module that significantly enhances the interaction among employees.



- We celebrated our April 13 Anniversary through our internal channels. We posted the congratulation video of our General Manager on our @vbizimyerimiz Instagram account and portal. We sent special congratulatory e-mails to our colleagues who simultaneously received 15<sup>th</sup> and 20<sup>th</sup>-year seniority awards. We prepared a video from our VBSK team about our 66<sup>th</sup> anniversary. We shared the songs that our colleagues in our Istanbul, Izmir, and Ankara choirs sang with an application where they came together online. We organized a live mini-concert with our employees from our Izmir choir on Instagram. We also prepared a video with the opinions of our colleagues and published it again via @vbizimyerimiz. We celebrated this particular day, which is very important for our company and our employees, in the virtual environment with the same enthusiasm and energy.
- We organized a “Live” face-to-face event as a hybrid event by combining a “virtual” online component due to the Management Summit pandemic. With our General Manager, Board of Directors, Senior Management, and chairmen participation physically from Istanbul, other executives participated online via their tablets or computers. We enabled all our regional managers to chat with our General Manager and each other online. Thus, we offered a meeting experience to our 1,300 executives, both virtual and face-to-face.
- We organized our annual chess tournament on a digital platform. Our colleagues from every province who had previously wanted to participate but could not participate due to distances also participated in our tournament.

- We started to provide our face-to-face dietitian service, given to our colleagues under the Healthy Life Club, online. Thus, instead of providing only for our Headquarters building, we had the opportunity to present it to all our colleagues.
- In this period, we shared the video we created with footage from previous tournaments, on our Instagram account, on May 19 Youth and Sports Day to increase our sports clubs’ motivation, which we had to stop working with.
- The Istanbul Marathon, organized by the Istanbul Metropolitan Municipality every year, was held online this year due to the pandemic. As VakıfBank, we participated in the 2020 Istanbul Marathon with 35 runners. Thanks to our VakıfBank employees, who run for good, we collected tens of thousands of Turkish Liras for various non-governmental organizations, especially Darüşşafaka and KAÇUV (Hope Foundation for Children with Cancer). We ranked third in the number of donations and fifth in donations among institutions.
- We prepared our “Bizim Yerimiz” magazine online by making all our interviews online instead of face-to-face. During this period, we interviewed 33 people in total.
- We started sending VBSK baby uniforms to our colleagues with babies with our General Manager’s congratulatory note.
- We started to send a letter of condolence signed by our General Manager to our colleagues whose first-degree relatives died, along with a sapling certificate planted on behalf of the deceased relative.

We organized a “Live” face-to-face event as a hybrid event by combining a “virtual” online component due to the Management Summit pandemic.

## Equal Opportunity and Diversity

**We aim to maintain a working environment where equality and business peace prevail by taking the necessary measures to ensure all our women and men employees' health, safety, and well-being.**

### Female Employee Rate ✓

# 50.62%

✓ It has been subjected to limited assurance by the Independent Audit Firm.

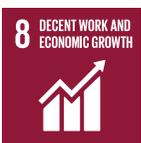
In line with the importance we attach to equal opportunity and diversity, we do not discriminate on issues such as language, ethnicity, age, gender, political thought, belief and offer equal opportunities and rights to our employees. In this regard, we take the United Nations Universal Declaration of Human Rights principles, United Nations Sustainable Development Goals (SDGs), and the International Labor Organization (ILO) as guides in our human resources practice that values people.

Besides being a signatory to the UN Women's Empowerment Principles-WEPEs, which aims for gender equality and women's empowerment, we were selected for the second time with a higher score in the Bloomberg Gender-Equality Index (Bloomberg GEI), which conducted the most significant gender equality research globally and maintained its continuity in the index in 2021. We carried a gender equality survey in 2020 to hear all our employees' views and expectations, including senior management, on gender equality, which is among the Sustainable Development Goals and has an important place in the agenda of the world, and to identify areas that need improvement. In addition to these, as the signatory of the Equality in Work Declaration, which is prepared under the leadership of the Ministry of Family, Labor and Social Services and in cooperation with the World Economic Forum, we support the active participation of women in all areas of social and economic life with equal rights. We advocate gender equality in business life.

We support the participation of women in the workforce with our HR practices, recruitments, female employees we employ based on gender equality. We aim to maintain a work environment where equality and business peace prevail by taking the necessary measures to ensure all our women-men employees' health, safety, and well-being. In this context, in 2020, 50.62% of our employees, 11% of our Board Members, and 25.6% of our employees in executive positions throughout the Bank are women.

We take care to provide equal opportunities among our employees in both recruitment and career development applications. While our female employees constitute 38% of our employees who rose to a higher title in 2020, we aim to ensure that our female employees, who are mothers, continue their career path after parental leave and offer them to benefit from the career opportunities equally, thus ensuring a career environment that maintains their work-family life balance. In this context, 100% of our 637 female employees who had parental leave in 2020 returned to work.

In addition to maternity leave, we offer our female employees the option of using unpaid leave for up to one year and part-time working until their child turns five upon their request. In 2020, 76% of our female employees who demanded unpaid leave due to childbirth took advantage of the 6-month unpaid leave granted by our Bank in addition to the 16-week legal period. Moreover, in the provinces with 150 and more female staff employees, we provide daycare assistance to all our male and female staff who have nursery children. With all of our practices in this regard, we aim to present our mothers the opportunity to continue their careers after their parental leave.



## Remuneration and Benefits

**We updated our Remuneration Policy document, which we review once a year, in 2020 as part of the “Guide on Best Remuneration Practices at the Banks” by the Banking Regulation and Supervision Agency (BRSA) achieved full compliance as of 2020.**

We determine our remuneration policy within the bank following the risk and responsibility assumed at all levels, pay fair remuneration, and provide fringe benefits by considering our employees’ fundamental rights. Our employees’ remuneration components cover the root wage corresponding to their titles, the duty and responsibility they undertake, and the job position remuneration directly proportional to their performance. We review the job positions of our employees with annual evaluations. We determine the wages of our managers and employees at all levels by regarding the effective remuneration policy and budget possibilities of the Bank, the job description and responsibility level of the employees, individual performance, competencies, and compliance with the internal and external legislation of the Bank based on our bank’s compliance with ethical values, internal balances, and strategic goals. Additionally, we observe sectoral developments, analyze data, and evaluate our sector’s position according to the banking sector wage survey results carried by independent institutions.

Furthermore, we determine wage and salary increases for our in-scope employees with the Collective Bargaining Agreement made with the Bank Finance and Insurance Employees Union and our employees who are out of scope with the board of directors’ decision. In 2019, we signed the 24<sup>th</sup> Term Collective Bargaining Agreement with the Bank, Finance and Insurance Employees Union (BASS), covering the dates between 01.05.2019-30.04.2021. In this context, **the rate of our employees covered by the collective bargaining agreement is 85%.**

We updated our Remuneration Policy document, which we review once a year, in 2020 as part of the “Guide on Best Remuneration Practices at the Banks” by the Banking Regulation and Supervision Agency (BRSA) achieved full compliance as of 2020.

Apart from wages, we offer opportunities related to basic needs such as bonuses, performance bonuses, dividends, health insurance, and various leaves. In doing so, we aim to implement a wage policy based on merit, adopting the corporate culture based on competitive, rewarding, balanced performance goals, encouraging sustainable success, motivation and fairness. We also contribute to our employees within the Employer Contributed Private Pension Plan framework and the opportunity to be included in the private pension system.

Moreover, in 2020, we paid our employees only once, based on our Board of Directors’ relevant decision, and provided that they make a declaration of our own will, as the annual leave fees that they deserve. However, they do not use, due to the period of employment at our Bank occupy an important place in our Bank’s balance sheet. In this context, we prevented the cost of the annual increase in the amount corresponding to the annual leave pay, which is a severe financial burden on our Bank.

We made additional payments to all our personnel within the scope of COVID-19 to reduce the pandemic’s adverse effects, increase our employees’ morale-motivation, and encourage them to continue their duties with the same effort and devotion. We supported our staff, who have no one to take care of their children, to maintain the work-family order by granting annual leave, free time, and unpaid leave in a way that does not disrupt the Unit-Branch workflow. In this process, we have provided and continue to meet the COVID-19 PCR test costs of our personnel who have tested for suspected COVIDs and their dependents, on the condition that it is limited to four annually.

## Safe Work Environment

**As a result of the audits carried out by the internationally accredited organization, we received the ISO 45001 certificate and succeeded in becoming the first bank to establish the Integrated Management System (ISO 9001-ISO 14001-ISO 45001) in Turkey.**

**In 2020, we provided online OHS training to 8,193 participants.**

With our Occupational Health and Safety (OHS) Policy, we reflect the superior value we give to people. We consider offering our employees a safe and healthy work environment as one of our fundamental responsibilities. This framework adopts the essential requirement to comply with OHS's international standards and legal requirements. **As the first bank received the OHSAS 18001 Occupational Health and Safety Management System certificate in Turkey,** we fulfilled all of our obligations related to the OHS process in 2020. In the new period, we began with the COVID-19 pandemic; we maintained the certification studies and obtained the ISO 45001 certificate for all our Turkey locations due to the internationally accredited organization's audits. We succeeded in becoming **the first bank to establish the Integrated Management System (ISO 9001-ISO 14001-ISO 45001) in Turkey.**

We conduct OHS issues under the coordination of the Employee Relations and Discipline Directorate. Our Employee Relations and Discipline Manager, our most authorized manager responsible for OHS, is three reporting levels away from our General Manager. Our OHS Board, where our employees are represented at a 100% ratio, is moderated by our Employee Relations and Discipline Directorate and reports quarterly to the Head of Human Resources, the Employee Relations and Discipline Directorate, and all participating sub-employer representatives.

With our Occupational Health and Safety Policy, we guide all our employees, including our subcontractors. We reference European Statistics on Accidents at Work-ESAW methods to track OHS performance indicators. We regularly provide in-class and e-learning training to raise awareness on the OHS throughout the Bank. We ensure that every newly recruited employee joins the one-day OHS in-class training within the scope of orientation training. In 2020, we provided online OHS training to 8,193 participants.

Additionally, our publications on our employees' internal portal include the databank for Occupational Health and Safety. Also, all our departments and branches have employee representatives designated for OHS. In 2020, we created awareness by training 251 employee representatives.

We mapped our OHS risks with a proactive risk management approach. We categorized them over approximately 100 control subjects in our quarterly branch-unit visits. Thus, we identify risks in advance and take the necessary measures. In this scope, we prepared a Risk Assessment Report and Emergency Plan in 248 branches and departments in 2020 and renewed those that were due. Thus, we have completed the Risk Assessment Report and Emergency Plan in all our units and branches except for six branches and two. In addition, due to the pandemic, we prepared a Risk Assessment Report specific to COVID-19 in all our units and branches. We conducted exercises in 236 departments and branches to increase the level of knowledge about the reality of earthquakes that exist due to our country's location. We carried out Earthquake Awareness and Emergency Evacuation Trainings for 1,450 people in our Head Office Service Buildings.

Regarding Intrusion Alarm, Fire Warning, and Security Camera Systems; we continued our activities of installation and elimination of malfunctions in existing systems and their regular maintenance, meeting the needs of new fire extinguishers, replacing the necessary ones with new ones and their regular maintenance in new branch openings and branch renovations in line with the reports of workplace safety specialist regarding "fire safety." Within the scope of the improvement and development of electronic security measures; to eliminate the risk of the alarm system being disabled as a result of the failure to enter the alarm password during the closing of our branches or forgetting to enter the password, we started the application of sending an e-mail to the branch manager and text message to the branch security guard.

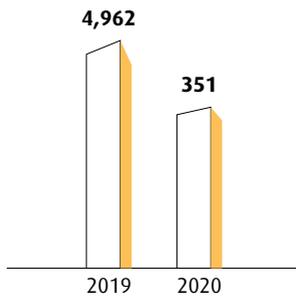
In line with the BRSA Communiqué, the necessary improvements were made in all our Units/Branches where a camera system was installed so that the security camera recording period was a minimum of 6 months. In order to ensure that the installation, maintenance - repair, and progress payment control processes of the anti-theft alarm and security camera systems that make up the electronic security system are systematical, error-free, and faster, a CRM-based software was prepared and put into use at our Bank's locations. In order to minimize the risk of unauthorized entry by creating an additional control point, other software was commissioned to create a second approval setup for the authorization process of our Bank's personnel entrance cards.

Within the scope of our service procurement, we care about OHS processes, and we inspect 100% of all our employees within the range of our practices, including our subcontractor workers. We aim to maintain 100% compliance with the control issues in the upcoming period and realized over 100 items every three months by continuing the Integrated Management System's continuity (ISO 9001-ISO 14001-ISO 45001).

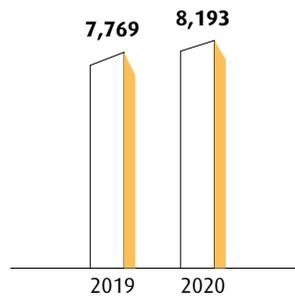
**We fulfilled all of our obligations related to the OHS process in 2020.**

**Number of Employees Participating in OHS Trainings**

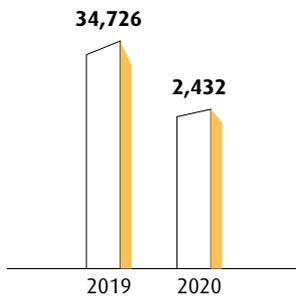
Number of Employees Attending OHS Trainings - In-Class



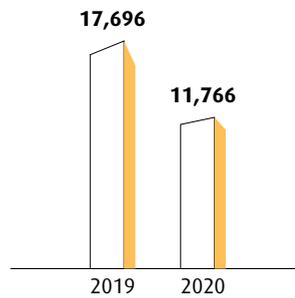
Number of Employees Participating in OHS Trainings - Online



Total OHS Training Hours - In Class



Total OHS Training Hours - Online



\*The decrease in in-class training is due to the pandemic process.

## Safe Work Environment



### OHS studies we conducted during the COVID-19 Process

We prepared the report entitled "COVID-19 Outbreak and Prevention Methods."

We prepared Risk Assessment Reports specific to COVID-19.

We completed the coronavirus SWOT analysis.

Within the COVID Officers Outbreak Management and Work Guide's scope, we have made appointments in all our units-branches.

During the second visit to the units and branches between 27.04.2020-30.06.2020, we completed the "Checklist for Protection from the New Type of Coronavirus Outbreak."

We completed the "Checklist for Protection from the New Type of Coronavirus Outbreak" during the third visit to the units and branches between 02.07.2020-30.09.2020.

We completed the "Checklist for Protection from New Type Coronavirus Outbreak" during the fourth visit to units-branches between 01.10.2020-31.12.2020.

We sent the "Risk Assessment Reports specific to COVID-19" to all departments and branches.

We regularly informed our employees about the updates of the Outbreak Management and Study Guide.

We designed the COVID-19 Disease Safety Advice and Tips Poster.

Occupational Health and Safety COVID-19 Risk Assessment Report flow e-mail was sent to our employees.

We have developed the footprint work in our Service Buildings.

We started to prepare the "Risk Assessment Report for COVID-19 within the scope of Occupational Health and Safety" for all our units/branches concerning "Measures to be Taken Against Coronavirus in Workplaces" published by the Ministry of Family, Labor and Social Services.

## Recruitment of Young Talents

**During the COVID-19 pandemic, we revised recruitment processes as required to reduce the risk of viruses and protect the health of both candidates and our Bank employees, and minimize interaction and contact. We moved procedures such as exams and interviews to online platforms.**

In recruitment processes, we aim to carry out our activities effectively with our optimum number of employees and employ young and qualified candidates who will bring dynamism to our Bank. Accordingly, to meet our Bank's increasing workload and meet the need of employees in IT departments, in 2020, we employed 370 new employees. As of year-end, our employees' number reached 16.748 with the recruitments we made throughout the year.

As the beginning of a new era for the entire world, the COVID-19 pandemic challenged us to quickly adapt to change, transformation, and new experiences and knowledge while tackling several challenges. In this direction, we revised recruitment processes as needed to reduce interaction and contact. We moved procedures such as exams and interviews to online platforms to reduce the risk of viruses and protect both candidates' and our Bank employees' health.

During the pandemic period, our non-branch channels gained more importance. In this period of focus on digital and telephone banking, we aimed to provide fast, uninterrupted, and reliable service to our customers through alternative channels (mobile banking, internet banking, call center). Hence, we focused primarily on Information Technologies units and Call Center Customer Representative positions in our recruitment processes. We applied online exams to our candidates who were included in the exam process for our Call Center. We carried out the interview phase under the mask, social distance, and hygiene rule. By completing our recruitment processes in the Information Technologies field on digital platforms, we conducted an online exam and online interview process without being physically in the same environment with the candidates.

We participated in Turkey's career events and abroad to bring young talents who are university students or newly graduated to our Bank in 2020. In this context, we had the opportunity to meet with students in Kazakhstan and explain our Bank to them by getting to know them, with the "Talent For Biz" event organized abroad under the auspices of the Presidential Human Resources Career Office of the Republic of Turkey. Simultaneously, we participated in Trakya University and TED University career fairs organized domestically by the Career and Talent Management Association and interacted face-to-face with students and new graduates. We informed them about internship opportunities, job application conditions, and other curious issues about our Bank.

With the support of the Presidential Human Resources Career Office of the Republic of Turkey, within the scope of the "Internship Mobilization" program initiated by the Ministry of Treasury and Finance, the intern student needs in various units/branches of our Bank are met by the "Career Gate" of the Presidential Human Resources Career Office of the Republic of Turkey. We welcomed candidates who applied to the platform. We elected the students who met our bank's internship criteria from the candidate pool and directed them to do internships in our relevant units and branches. With this project, we have allowed intern students to do internships at our Bank for at least 20 working days and get to know our Bank's corporate culture. We evaluated the students' internship performance with the "Intern Evaluation Form" for the students who completed their Bank's internship process on the Career Gate platform. We gave the "Internship Certificate" to the students who completed their internship successfully. In 2020, we approved the application of 101 students to do internships in our Bank's Units / Branches for the internship calendars we have created on the Career Gate, with the work we have carried out within the scope of the "Internship Mobilization" project. Within the project's size, we plan to provide internship opportunities to candidates targeting the banking profession in the first months of 2021.

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**In 2020,  
we employed  
370 new  
employees.**

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## Capacity Building and Talent Management

**We presented performance achievement awards to our employees by evaluating individual performance objectively and transparently.**

**The ratio of Filling Top Positions with In-Bank Promotion ✓**

**100%**

✓ It has been subjected to limited assurance by the Independent Audit Firm.

In this period, when everything evolves rapidly, our Bank has adopted the philosophy of continuous improvement with a human-centered approach to keep up with the change and provide a competitive advantage. Our most critical mission is to follow a path that increases our employees' motivation by considering their needs and expectations in line with our human resources policy.

In this context, we aim to manage our human resources effectively, meet our employees' individual needs, and support our Bank's corporate development through career management studies we conduct.

At VakıfBank, we ensure that corporate strategic goals are transformed into individual goals with the Performance Management System to safeguard our employees' corporate and personal development with an innovative approach and continuous learning, increase solidarity and cooperation, and support their focus on corporate strategies.

We continue to improve our employees' competencies to reach our goals and become the industry's pioneer. Our performance evaluation system makes a behavioral-based competency assessment for our employees' career planning once a year and analyzes their training and development needs due to the evaluations. While implementing this system, we support continuous change and development with the innovations we make every year so that our managers can make a healthy evaluation and advance the process with an objective approach.

In 2020, we included all our bank employees in our performance system and completed a successful period in which our employees made a difference with their performance during the pandemic process. We presented performance achievement awards to our employees by evaluating the individual performance objectively and transparently.

In 2020, 900 of our employees qualified for promotion. Moreover, under the relevant articles of the Career and Salary Management System Regulation and the Specialized Personnel Regulation and the behavioral-based competency assessment results, we invited 3,538 employees to the promotion exam in 2020. However, we will continue the process in 2021, as we have to postpone the exam due to the pandemic.

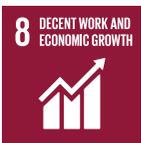
While conveying our Bank's strategies and business objectives to our Bank's Managers at the Performance Summits held every year in Abant, we also organized a Performance Workshop last year. We assessed our employees' and managers' ideas on making our current performance system dynamic following today's changing conditions and strategies.

In this context, we have started to work to ensure that our data is processed with advanced algorithms and used effectively with artificial intelligence technology with a progressive analytical approach to use technology's opportunities in our targeting methodology. Within the scope of our digitalization journey, we aim to strengthen our system's technical infrastructure, including the performance management system, and provide our users with reporting screens that will give interactive and straightforward use.

Furthermore, in 2020, we continued the necessary work on career, wage management, and performance management to cooperate with our subsidiaries in human resources and ensure their Bank's alignment.

We aim to complete the work in 2021 by accelerating the organizational backup software to facilitate business continuity, determine future management requirements from today, and follow-up of our employees who will fill these requirements within our Bank.

With the Human Resources Reserve Management Project, we aim to ensure business continuity throughout our Bank and to reduce the dependence of processes on individuals to avoid any disruptions in ordinary and extraordinary situations. We will also ensure that the setup for monitoring the Reserve Management application defined in our Career and Wage Management System through our Bank's data processing system is created.





# VakıfBank

## Corporate Academy

Thanks to this project;

- Critical jobs will be defined,
- Personnel responsible for critical works and their backups will be determined and systematically monitored,
- Programs will be created to increase the competence of the relevant personnel,
- With creating a manager backup system, the entire backup system will be monitored and manageable.

Additionally, in line with our organizational goals, we effectively conduct our Bank's Norm Staff activities to provide an optimum employment number according to the workload. Besides, we closely monitor these employees by creating talent pools to meet the workforce needed in the short, medium, and long term with high performance and potential employees within our Bank.

### Organizational Changes

Considering the economic developments and the sector's dynamic structure, we went through a change and renewal in our Head Office organizational structure in 2020, in line with the sector's changing needs and customers and the legislative requirements. In this direction;

- We established the **Cash Management, Product Development, and Foreign Trade Marketing Department** to focus on product development, gain more effective marketing capability in foreign trade, increase the sales of foreign trade products through field teams, and increase the profitability and efficiency obtained from cash management.
- In order to meet the loan allocation requests in a timely and healthy manner and to create effective allocation management, we changed the organizational structure of the **Commercial Loans Allocation Management Departments**.

- In the period when the need for funds in the banking sector increased, we established the **Depository Management and Marketing Department** to manage the deposit management of our Bank more effectively.
- We established the **Customer Experience and Management Department** to manage CRM and customer experience activities more effectively and under a single roof and increase efficiency by focusing.
- We established the **Secure Banking Department** to manage fraud and information security issues more effectively.
- To manage branches efficiently, to work in harmony with our Bank's strategies, to increase the coordination between branches and the Headquarters, to achieve the goals of branches and sales teams, to closely monitor the performances of branches and sales teams, to make the necessary guidance and reporting to the branches. We established **Regional Sales and Marketing Directorates** to give priority.

## Employee Development and Trainings

**We implement training programs designed to ensure that our employees gain the competencies concerning their career path, and we use a blended learning model that covers new generation digital learning experiences in our teaching processes.**

Share of Digital Trainings in Total Hours of Education

**79.15%**

Within the framework of the human resources policies we follow, we provide training to support our employees' development in line with their career goals, create motivation and job satisfaction, and increase work efficiency through training. In this context, we provide in-class training, live virtual classroom training, and e-learning and video-based training on the online training platform on the subjects determined as a result of the activity needs analysis we conduct within our strategies the competencies expected from our employees and the individual needs.

We give our training programs under the categorization below;

- "Basic Training Programs" for newly recruited employees,
- "Development Programs" containing personal development and professional/technical issues prepared to support the career development of our employees currently working in different titles,
- "Manager Development Training Programs" aimed at increasing the managerial, professional and technical competencies of our employees working in executive positions.
- "Information Technologies Training Programs" will support the employees' relevant business processes working in the information technologies departments and contribute to their professional development.
- "Online Training Programs" includes a wide range of e-learning training developed in the fields of professional/technical/individual, development/managerial, competence/legal, imperative/social, responsibility/hobby.

We implement training programs designed to ensure that our employees gain the competencies concerning their career path, and we use a blended learning model that covers new generation digital learning experiences in our teaching processes. We cooperate with universities in the design of training programs. In order to monitor and evaluate the development of our employees, we conduct an evaluation test on the training portal at the end of the training and measure the training results.

Due to the pandemic in 2020, we strengthened our digital infrastructure and gave 79.15% of our training pieces through digital learning channels with e-learning and video training. 545,878 participants benefited from 1,060 in-class training and live virtual classroom training on 323 subjects and e-learning and video training on 288 issues.

We attach importance to increasing the use of our Bank's human resources in training programs and evaluating employees who are experts in their fields as internal trainers. In this context, we have increased the ratio of the training given by internal trainers to all training to 50% on the subject basis in 2020.

In the first phase of the pandemic, we prepared unique training videos for our Bank with expert psychologists to ensure that our employees cope more easily with their difficulties and adapt to the process.

We immediately supported our employees with training videos on topics such as "Psychological Resilience and Flexibility," "Customer Relations during the Pandemic Period," "Intolerance," "Living with Social Isolation," "Spending Time at Home with Children," "Communication in the Family," "Mind-Body Connection," "Work-Private Life Balance," "Moment and Awareness," "Internal Motivation."

Our strategy for 2021 is to support our employees' professional, technical and personal development, improve their competencies, and help them adapt to changing dynamics by increasing their awareness, in line with our Bank's goals.

Due to the continuing risk of the pandemic process, we will continue contributing to our employees' development by strengthening and diversifying the digital learning channels we currently use, such as e-learning, video training, and live virtual classrooms.

We plan to increase the share of "personalized and adaptive learning" applications in our learning ecosystem through digital platforms.

We also have a video broadcasting infrastructure that includes video training for our employees' training needs in e-learning training. We provide access to all video and mobile content e-trainings we offer on the training portal via mobile phones and tablets with our mobile application. We also use video training extensively in development programs designed with the blended learning model. In line with our Bank's mission of "always with our customers," we will prioritize providing training and learning materials to our staff to increase customer satisfaction and improve communication between our customers and employees.



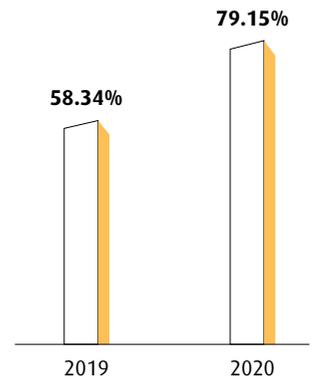
**OUR PROMOTIONAL PRACTICES IN EDUCATION IN 2020:**

- We provided 21,840 hour training per employee within the scope of “Retail Banking and Payment Systems Product Training” designed for our individual portfolio managers on new products and services/applications to be offered to our Bank’s customers.
- We have implemented “Foreign Trade” and “Product Project Manager” certificate programs within our certificate programs’ scope. We use a blended learning model by including course documents, e-exams, e-learning, in-class pieces of training, end-of-program exams/applications.
- In order to support our employees to cope more easily with the difficulties they encountered during the pandemic period and to adapt to this period, we provided psychological support videos specially prepared for our Bank together with expert psychologists.
- In 2020, we continued the pieces of training within the scope of “ISO 9001 Quality Management System and ISO 14001 Environmental Management System” and “ISO 45001 Occupational Safety” with a live virtual application. We offered e-learning pieces of training to all our employees, and by the end of 2020, we certified 1,078 employees.
- We benefited 5,408 employees from the “Right Approach to Disability” e-training, which we offer to improve our communication with our disabled customers, increase our employees’ social awareness, and 4,289 employees from the “Sign Language” e-training.
- We provided a total of 5,179 hours of training to 434 participants using the blended education method within the scope of the development program we prepared to improve our employees’ competencies working at our Call Center. We ensured that our newly recruited customer

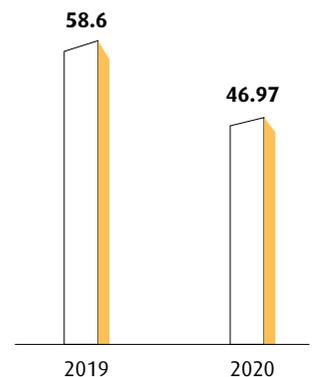
representatives also participate in the Orientation Training Program. Additionally, we conducted a “Customer Oriented Service Approach” training to ensure that our customer representatives communicate effectively and intensely with our customers.

- With the “Customer Experience Improvement Program” we conducted for the Customer Experience and Management Department employees, we ensured that our related unit employees’ competencies in customer relations and customer experience were developed.
- We have provided our managers with pieces of training that will help them to develop their management and leadership competencies such as “Management and Leadership,” “Effective Feedback Techniques,” “Effective Time Management,” “Team Leadership with Coaching Skills,” “Delegation: The Path from Doing to Directing.”
- We continued to contribute to the personal development of our employees with training videos on “Effective and Good Speaking,” “Learning Person,” “Perception Management and Persuasion,” “Memory Strengthening Methods,” “Concentration Techniques” using the micro-teaching method.
- We provided training videos on “Customer Welcoming, Hospitality, Farming” and “Sales Techniques” to increase customer satisfaction.
- We participated in the global content provider digital platforms to receive a total of 5,934 hours of training on 2,071 subjects to sustain the training and development of IT employees throughout the pandemic.
- We conducted training programs on the computer in a virtual classroom to develop our Head Office employees’ competencies in big data and big data analytics.

**Share of Digital Trainings in Total Hours of Education ✓**



**Average Training Hours per Employee ✓**



✓ It has been subjected to limited assurance by the Independent Audit Firm.



# OUR NATURAL CAPITAL

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## Material Topics & SDGs

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Climate Change and Environmental Performance of the Bank

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**RISKS**

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Increase in unit costs and consumption amounts of energy resources

The use of natural resources and the increase in the amount of waste

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**OPPORTUNITIES**

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Reducing the carbon footprint by controlling the consumption of natural resources

Limiting the use of natural resources and the amount of waste with trainings on climate change and energy efficiency

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Total Number of ISO 14001 Certified Locations  
**All Bank Locations**

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Energy Consumption Per Employee  
**5.72 MWh/Person**

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The Amount of Saved Paper  
**85.63 Tons**

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## Climate Change and Environmental Performance

**In 2020, we recertified all our head office departments, branches with ISO 14001: 2015 Environmental Management System and ensured that all VakifBank employees work in ISO 14001 certified buildings.**

We continue to increase our environmental, social, and managerial performance and integrate sustainability into our corporate strategy for a more livable future by realizing our banking activities at international sustainability standards. We are aware of climate change's effects, which is the most crucial challenge of our age, operations, and financing. In this context, we consider the impacts of climate change as essential risks, and we aim to play an active role in the transition to a low-carbon economy by effectively managing the risks.

In 2019, we became the first Turkish public institution to announce its commitment to carbon emission reduction by participating in the Science Based Targets initiative led by many leading international organizations such as CDP, WWF-World Wildlife Fund, WRI-World Resources, and UNGC. We are continuing our efforts to determine our Bank's targets within the science-based target guide framework specific to the finance sector, which the Science Based Targets initiative published in October 2020. In addition, we are working to achieve the annual reduction targets set by our Board of Directors in this process.

- 2% Electricity consumption per square meter
- 2% Natural gas consumption per square meter
- 2% per capita domestic water consumption
- 2% paper use
- 2% of total carbon and greenhouse gas emissions

Additionally, we report our climate change strategy, risks, and performance to the Carbon Disclosure Project (CDP) and present our investors' performance and the public's information. Within the CDP Climate Change program to which we have been reporting since 2015, we kept our performance score at B level in 2020.

We evaluate our strategy to combat climate change and our efforts in this context under three main headings; **Reducing Environmental Impacts, Sustainable Energy Finance, and Raising Employee Awareness.**

Under the heading of **Reducing Environmental Impacts**, we work to reduce the effects and carbon footprint that occur during our activities. In this context, The Environmental Management Service, founded in 2015 by the Board of Directors' decision, with ten full-time employees as our Bank's staff, monitors and controls such data regularly and canalizes all our departments to reduce natural resource consumption and greenhouse gas emissions. The Environmental Management Service not only regularly monitors this data but also audits it and directs all our departments to reduce natural resource consumption and greenhouse gas emissions.

We also prefer to use products with high efficiency to reduce consumption. We use central heating and cooling systems, energy-efficient servers, A-class inverter air conditioners, and energy-efficient products in this context. We use LED systems in lighting and turn off computers and phones centrally after specified hours.

In addition, we decided to replace 450 of our Bank vehicles with hybrid versions in 2020. In this way, we plan to reduce emissions by up to 27% per vehicle. Thanks to all these applications, we save energy, follow up, and report our carbon emissions under the Greenhouse Gas Emission Data Collection and Calculation Regulation.

In 2017, we received the ISO 14001: 2015 Environmental Management System certificate and documented that we manage our banking activities' direct impact on the environment following international standards. In addition to the 500 branches that we included in the certification scope in 2018-2019, we certificated all our head office units and branches with ISO 14001: 2015 Environmental Management System in 2020, enabling all VakifBank employees to work in ISO 14001 certified buildings.



We carry out internal audits by the Inspectors of the Board of Inspectors at all our locations and external audits through independent auditors every year. In nonconformity during the audits, we create a corrective action form and work to solve the problem. We ensure the environmental management system's coordination and effectiveness in our work with the established procedures.

- Waste Control Procedure
- Assessment Environmental Dimensions and Control Plans Procedure
- Internal Audit Procedure
- Detection of Non-Compliance and Corrective Actions Procedure
- Determination and Follow-Up of Legal and Other Requirements Procedure
- Management Review Procedure

In order to reduce our environmental impact, we also consider the management of our wastes, separate our hazardous wastes, and conduct studies to reduce the amount of waste generated per person. We have completed the supervision of our hazardous and non-hazardous wastes and made them compatible with local and international regulations. Besides, we continue to increase our recycling rate by keeping recycling bins in all our locations.

We provide financing support to sustainable energy investments and projects by prioritizing renewable energy investments under **Sustainable Energy Financing**. In 2020, we provided financing support of more than 2.1 billion TL to 28 renewable energy projects with a total installed capacity of 1,350 MW.

In 2019, we conducted sensitive energy and emission management and succeeded in keeping our Scope 1, 2, and 3 total carbon emissions at the level of 53,413 tCO<sub>2</sub>e. In return for this amount verified by ISO 14064 certificate, we received **"55,000 Verified Carbon Units"** produced from clean energy sources and **became a Carbon Negative organization by offsetting more than all greenhouse gas emissions**. With this voluntary transaction in 2020, we supported the transition to a low-emission economy and its actors. Besides, we raised social awareness of preventing climate change.

In the topic of **Raising Employee Awareness**, by training our employees on energy efficiency and climate change, we aim to raise awareness and to develop environmentally sensitive behavior models such as energy savings and waste separation both in and out of the Bank.

In this context, in 2020, we provided 2,635 hours of in-class training, 23,563 hours of online environmental training, and 2,560 hours of in-class sustainability training. In addition, thanks to our pieces of training within the scope of ISO 9001 Quality Management System and ISO 14001 Environmental Management System, we certified 1,078 employees by the end of 2020. Thus, we have at least one certified employee in our 680 branches. In 2021, we will organize e-learning training to raise awareness of the ISO 14001 Environmental Management System.

In order to reduce our waste amount, we continue to monitor paper consumption on a person-based basis and share paper consumption data with our branch employees. In 2019, we achieved our Zero Waste Project system records carried out by the Ministry of Environment and Urbanization and continued the certification process in 2020. In 2020, 7,530 personnel within the scope of the Zero Waste Project completed E-Zero Waste Training. We also operate for our electronic waste within corporate social responsibility. We aim to provide training on the Zero Waste Project in 2021.

You can access our Environmental Policy document, which we created within the scope of our sustainability efforts to continuously improve our environmental performance to protect the environment and ensure the continuity of natural resources at <https://www.vakifbank.com.tr/Default.aspx?pageID=2793>

Renewable Energy Type ✓	Number of Projects Funded ✓	Financing Amount Provided to Projects (TL) ✓
BIOGAS	2	20,562,650
BIOMASS	3	124,055,241
SOLAR POWER PLANTS (SPP)	3	236,601,697
HYDRO-ELECTRICAL POWER PLANT (HEPP)	12	679,639,255
GEOTHERMAL POWER PLANT (GPP)	1	22,350,000
WIND POWER PLANTS (WPP)	7	988,168,024
Total	28	2,071,376,866

✓ It has been subjected to limited assurance by the Independent Audit Firm.



# CORPORATE GOVERNANCE

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## Material Topics & SDGs

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Corporate Governance



Risk Management



Compliance and Audit



We continue our activities in compliance with the Corporate Governance Principles in order to protect all stakeholders, mainly shareholders, to act in the interests of stakeholders and to create sustainable value for our country while growing. In this regard; we continue our activities in line with the principles of equality, transparency, accountability and responsibility, in compliance with banking legislation, capital market legislation, the Turkish Commercial Code and other relevant regulations. In this context, we carry out Corporate Governance Compliance Reporting, using the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) on the public disclosure platform (KAP) templates annually, in accordance with the relevant legislation.

**We believe that corporate governance is through managing risks with a proactive approach in accordance with legal legislation and international standards, preventing situations that may cause conflict of interest, and ethical banking practices that increase transparency.**

We share the information and documents that should be presented to stakeholders transparently in the Investor Relations section of our website. Along with the financial risks that affect or may affect our institution; we also monitor nonfinancial risks, such as reputational risk and environmental risks, including climate change, and manage these risks through internal control systems that we have established and developed in line with national legislation and international regulations.

In addition to being against all kinds of bribery and corruption, we are determined to comply with the relevant laws, regulations and principles. Issues such as laundering proceeds of crime and fighting financing of terrorism and preventing the use of the financial system by criminals are also among the main areas that we focus on.

## Summary Report of Board of Directors

Dear Shareholders,

In 2020, the COVID-19 pandemic and the measures taken due to the pandemic became the primary determinant of global economic and financial developments. Among the decisions taken due to the pandemic exceeding China's borders, measures such as quarantine and economic shutdown have had very adverse consequences in European economies, especially in the UK, France, Germany, Italy, and subsequently the US economy.

In order to reduce the damage caused by the pandemic in employment, supply chains, and production capacity, fiscal incentives and monetary expansion policies, which are rare in history, have been implemented. The US Federal Reserve (Fed) cut the funding interest rate to the 0 -0.25% range with two rate cuts during the year. Furthermore, it started Treasury bill purchases and large-scale asset purchase programs. Similarly, the European Central Bank (ECB) announced an emergency asset purchase program due to the pandemic and fixed the policy interest rate at zero.

Although the studies conducted have led to some recovery in global economic activity, by the end of 2020, the US economy shrank by 3.5%, recording its worst performance since 1946. While there was a 6.8% contraction in the Eurozone, Germany, the largest economy in the region, shrank by 5%.

Turkey's economy was also significantly affected by the pandemic, especially in the first half of the year. Economic activities slowed down as a result of the measures taken to protect public health. Therefore, Turkey's economy contracted by 3.1% in the first half of 2020. Despite all this, the pandemic's adverse effects on the economy and the labor market were minimized with the "Economic Stability Shield Package" implemented under the leadership of the economic management and supportive monetary measures. Thus, Turkey's economy, which entered a recovery period from the third quarter, ended the year with positive growth.

The Turkish banking sector, on the other hand, maintained its strong capital structure during this period. The banking sector's total assets increased by 36% in December 2020 compared to the previous year's same period and reached TL 6.108 billion T. In this period, the banking sector, which increased its cash loans by 34.7% to TL 3,577 billion, contributed to Turkey's economy of TL 4,580 billion, together with non-cash loans. In this period, the equity of the sector increased by 22% and reached TL 601 billion. The capital adequacy ratio, which was 18.40% in 2019, was realized as 18.76% as of December 2020.

In 2020, VakıfBank also continued its contribution to the country's economy. Our bank increased its assets by 67% compared to the same period of the previous year, to 699 billion TL. During this period, loans again made the most crucial contribution to asset growth. Live loans increased by 53.6% and reached TL 422 billion. Commercial loans increased by 50.4% to TL 315 billion, and retail loans increased by 64.0% to TL 107 billion.

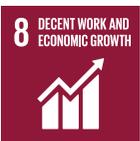
Increasing its total deposits by 64.6% to TL 414 billion, our Bank raised its demand deposits by 58.9% and time deposits by 66.1%. In addition to deposits, a total of USD 5.1 billion was obtained from international markets to diversify its funding sources.

Our bank increased its equities to TL 46 billion with an increase of 40.8% in 2020, and the net profit for the period was 5 billion TL. Our average return on equity was 12.60% during this period, our return on assets was 0.90%, and our capital adequacy ratio was 16.44%.

We thank our customers, employees, and shareholders for their contribution to the results we achieved in 2020.

Yours sincerely,

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



## Board of Directors



### **Abdülkadir AKSU - Chairman of the Board**

Born in 1944 in Diyarbakır, Mr. Aksu completed his primary education in Diyarbakır Cumhuriyet Primary School, and his secondary education in Ziya Gökalp High School. He started his higher education in 1962 in Ankara Faculty of Political Sciences. After his graduation, he started to work as Intern District Governor in Diyarbakır and then served as Ergani District Governorship, District Director of Sinan in Bismil District and Deputy District Governor in districts such as Genç, Akçadağ and Doğanşehir. He was appointed to Kınık District Governorship in 1970. After his military service, between the years 1973-1980, he worked as Yozgat Sarıkaya District Governor, Malatya Police Department Chief, Kahramanmaraş Deputy Governor Central Police Department Chief and Deputy General Manager of the General Directorate of Security. On August 29, 1980, he was appointed as the Governor of Rize and for a short time worked both as the Governor and the Mayor. After serving as the Governor of the Central, he served as the Governor of Gaziantep between 1984-1987. Aksu, who was elected as the Bureaucrat of the Year in 1985, is also a statesman who has been awarded the "Politician of the Year" award dozens of times.

On November 29, 1987, he was elected as 18<sup>th</sup> term Diyarbakır Deputy from the Mainland Party, and became Deputy Chairman of the Parliament Group of the Mainland Party in December 1987. He was appointed as the Minister of Interior in the 46<sup>th</sup> Government of the Republic on March 31, 1989; and continued this duty until 23 June 1991 in the 47<sup>th</sup> Government of the Republic. On December 24, 1995, he was elected as Deputy Chairman of the Mainland Party Parliament Group again, shortly after he entered the Parliament as a Diyarbakır Deputy from the same party. He was appointed as the State Minister position responsible for South East Anatolia Project in the 53<sup>rd</sup> Government of the Republic. Aksu joined the Welfare Party on August 16, 1996, served as a member of the General Administrative Board and Vice President in this party. Aksu continued politics in the Virtue Party after the Welfare Party was dissolved by the Constitutional Court. Abdülkadir Aksu has been one of the founders of the AK Party by continuing with a new enthusiasm and new dreams with Recep Tayyip Erdogan, whom he has great confidence in politics. After serving as the Vice President of Local Governments in this party, he was elected as a deputy from the Istanbul 3<sup>rd</sup> Region in the elections held on 3 November 2002. He served as the Ministry of the Interior during the 58<sup>th</sup> and 59<sup>th</sup> Cabinets, and as the Deputy Chairman of the AK Party, responsible for Political and Legal Affairs between 2009-2012.

Abdülkadir Aksu was elected as a Member of the Board of Directors at the VakıfBank 65<sup>th</sup> Ordinary General Assembly Meeting held on 27.05.2019 and as the Chairman of the Board of Directors at the VakıfBank Board of Directors Meeting held on the same day. He is also a Member of the Remuneration Committee. Mr. Aksu is fluent in German, married with two children and has 4 grandchildren.

## Board of Directors



### **Dr. Cemil Ragıp ERTEM - Deputy Chairman**

Dr. Ertem graduated from Dokuz Eylül University, Faculty of Economics. He has a master's degree and his Ph.D. in Finance and Economics at Istanbul University, Faculty of Economics. He was a lecturer at Istanbul University and THK University on knowledge economy, economy-politics, alternative growth and money theory. Dr. Ertem has authored many articles in the fields of economy-politics, economic policies, and monetary policies. Moreover, he has worked as a columnist for various media and newspapers and as a TV commentator on economy for many years. Dr. Ertem received the "MUSIAD Best Economy Writer" award in 2011. He has written four books, called "Bitişler ve Başlangıçlar," "Yeni Dünya Düzeni-Wiki Leaks," "Dünyayı Sarsan 60 Gün" and "Yatağını Bulan Nehir - Erdoğan Dönemi Ekonomi Politikası." Dr. Ertem is still the Chief Economic Advisor of Turkey's President Recep Tayyip Erdoğan and member of Economic Policies Council. He was elected as a Board Member of VakıfBank on 13 August 2018. He was elected as the Deputy Chairman of the Board of Directors at the Board of Directors Meeting held on 12 June 2020, and he still holds this position.



### **Abdi Serdar ÜSTÜNSALİH - CEO -Executive Board Member**

Born in Trabzon in 1963, Abdi Serdar ÜSTÜNSALİH started his career in VakıfBank in 1991. After working as a Manager in various branches and units at the same bank, he served as the head of Information Technologies, Retail Banking, Banking Operations and Core Banking Application Development units. ÜSTÜNSALİH, who assumed the position of Deputy General Manager at VakıfBank in July 2018, has been serving as CEO and Executive Board Member since 27 May 2019. Moreover, Mr. Üstünsalih is Board member of the Banks Association of Turkey and TSKB. He is married with two children.



### **Hamza YERLİKAYA - Independent Board Member**

Hamza Yerlikaya, originally from Sivas, was born on June 3, 1976 in Istanbul. Yerlikaya, who graduated from Süleyman Demirel University, Burdur Faculty of Education, Department of Physical Education and Sports, completed his master's degree at Sakarya University. Hamza Yerlikaya, who was deemed worthy of the title of "Wrestler of the Century" by the World Wrestling Federation (FILA) as the World Champion in the category of adults at the age of 17, won 2 Olympics, 3 World and 8 European Championships in the adult category in his sports career. Mr. Yerlikaya was awarded with the World Diploma of Honor among exemplary athletes and sportsmen who were deemed worthy of this award in their countries in 1997 by the Fair-Play Council of the International Olympic Committee (CIPF). After his gold medal at the Atlanta Olympic Games in 1996, he was awarded 'Republic of Turkey Distinguished Service Medal' in 1997. Mr. Yerlikaya ended his sports career in 2007.

Hamza Yerlikaya was elected as AK Party 23<sup>rd</sup> Term Sivas Deputy in the general elections held in 2007. During this period, he held the positions of member of Turkey's National Olympic Committee (TNOC), Sports Counselor to Youth and Sports Ministry, member Turkish Grand National Assembly commission of National Education and Youth and Sports. After his duty as a Member of Parliament Yerlikaya was elected as the President of the Wrestling Federation in 2012 and continued this post for 3 years; after which he was appointed as the Chief Advisor to President Recep Tayyip Erdoğan. He was appointed as Deputy Minister of Youth and Sports Ministry on 21 July 2018. Since June 12, 2020, he has been a Member of the Board of VakıfBank and also a member of the Corporate Governance Committee. He is married with three children.



#### **Şahin UĞUR - Board Member**

Şahin Uğur completed his primary and secondary education in Malatya and Erzurum and graduated from Atatürk University Faculty of Business Administration Department of Business Management in 1979. He started his career at VakıfBank in 1984 and served as Deputy Manager, Manager and Head until 2004, and then served as Executive Vice President between 2004-2013. Following that, Mr. Uğur served as a Board Member at VakıfBank International AG Vienna, Güneş Sigorta A.Ş., Taksim Otelcilik, Atakule GYO A.Ş., Vakıf Menkul Kıymetler A.Ş., Vakıf GYO A.Ş. which are subsidiaries of the VakıfBank. Şahin Uğur, who has been a member of the VakıfBank Board of Directors since 9 June 2017, is also a Member of the Credit Committee.



#### **Sadık YAKUT - Board Member**

Mr. Yakut was born in Kayseri/Büyükkaramanlı in February 3, 1956. He was graduated from Istanbul University, Faculty of Law. He served as a public prosecutor in Halfeti, Çamardı, Savaştepe and Giresun. He served as Investigative Judge and Head of Department within the Ministry of Justice General Directorate of Prisons and Detention Houses. He resigned and became a deputy candidate while he was working as the Ankara Public Prosecutor. He entered the parliament in the 1999 elections as Kayseri Deputy from the Nationalist Movement Party. He served as Group Board Member for his party and Constitutional Committee Member. He served as a Board Member of Gençlerbirliği Sports Club as well. Sadık Yakut, a Founding Member of the Justice and Development Party, served as the Vice President of this party. In the 22<sup>nd</sup>, 23<sup>rd</sup> and 24<sup>th</sup> terms, he served as the Justice and Development Party Kayseri District Deputy and Vice Chairman of Turkish Grand National Assembly. Mr. Yakut was elected as a Board Member of VakıfBank on May 27, 2019. He is also a member of the Corporate Governance Committee. He is married with 3 children.



#### **Dr. Adnan ERTEM – Board Member**

Dr. Ertem (born in 1965) completed his secondary education in Erzurum. He graduated from Istanbul University, Faculty of Political Sciences and Department of Public Administration in 1987 and got his Ph.D. in the field of sociology in 1997. Beginning his career as an Assistant Auditor at the General Directorate of Foundations in 1988, Dr. Ertem was appointed as Auditor in 1991 and Chief Auditor in 2002. Between 2002 and 2007, he served as the Regional Director at the Istanbul Regional Directorate of Foundations. Between 2007 and 2010, he held the position of Deputy Undersecretary of the Turkish Prime Ministry, following this position, he served as the General Manager of the General Directorate of Foundations between October 14, 2010 and December 26, 2019. Dr. Ertem was appointed as the Deputy Minister of the Ministry of Family, Labor and Social Services. Since October 27, 2010, he has been a Board member of VakıfBank. Dr. Ertem is also a member of Remuneration and alternate member of the Credit Committee. He is married with two children.

## Board of Directors



### **Dilek YÜKSEL - Independent Board Member**

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

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



### **Serdar TUNÇBİLEK - Independent Board Member**

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

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

## Board of Statutory Auditors



### **Mehmet Emin BAYSA - Board of Statutory Auditors Member**

Mehmet Emin BAYSA graduated from Ankara University, Faculty of Political Sciences, Department of Civil Public Administration, completed his master's degree in Public Administration and received training from the National Security Academy. On May 29, 2000, he started his civil service as a District Governor Candidate of the Ministry of Interior. He has served as Deputy Inspector in Customs Inspection Board, Deputy Inspector, Inspector, Chief Inspector, Deputy Chairman of the Inspection Board of the Prime Ministry since August 2001, he has served as the Head of the Prime Ministry Foreign Relations and the Head of the Inspection Board of the Prime Ministry. Mehmet Emin Baysa, who was appointed as a member of the Presidency State Supervisory Board as of August 3, 2018, is still carrying out this duty. He was elected as a Member of the VakıfBank Audit Board on 12 June 2020.



### **Hasan TÜRE - Board of Statutory Auditors Member**

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

## Executive Management



**Abdi Serdar ÜSTÜNSALIH**  
(Departments Affiliated to the General Manager: Secure Banking Department, Board of Directors Affairs, Private Secretariat)

Mr. Üstünsalih was born in 1963 in Trabzon, and began his career in 1991 at T. VakıfBank T.A.O. After having served as manager in various branches and departments in VakıfBank, he respectively became the Head of IT, Retail Banking, Operational Banking, Banking Application Development departments. He was assigned as Executive Vice President in July 2018 at T. VakıfBank T.A.O, and he is continuing as General Manager and managing member of Board of Directors since May 27, 2019. Currently, Mr. Üstünsalih is Board Member of the Banks Association of Turkey and Industrial Development Bank of Turkey. He is married with two children.



**Metin Recep ZAFER**  
(IT Technologies and Operations: R&D, Marketing and Infrastructure Application Development, Basic Banking Software Development, Digital Channels, Business Intelligence and Payment Systems Application Development, System Management, IT System and Application Support, IT Planning and Coordination, Banking Operations Department, Credit, Customer and Account Operations Department, Treasury Operations Department, Foreign Operations Department)

Metin Recep ZAFER was born in 1970 and graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics. He also completed his postgraduate and Ph.D. degrees in Marmara University. Mr. Zafer began his career in 1992 and served as assistant associate, auditor and branch manager at various banks. He was appointed as Executive Vice President of T. Vakıflar Bankası T.A.O. on 13.06.2006. He is also the Chairman of the Board of Directors for Vakıf Pazarlama Sanayi. Mr. Zafer is fluent in English.



**Muhammet Lütfü ÇELEBİ**  
(Retail Banking: Retail Banking Marketing, Retail Banking Marketing Solutions and Sales, SME Banking Marketing)

Mr. Çelebi graduated from Istanbul University, Faculty of Economics and Administrative Sciences, Department of Economics in 1992. He began his career as an assistant auditor at VakıfBank in 1995. After working as auditor between 1998 and 2001, he took the responsibilities of assistant manager and manager in various branches and departments of VakıfBank. Mr. Çelebi served as the Head of Retail Banking between 2011 and 2013. He was appointed as Executive Vice President on October 4, 2013. Additionally, He is also the Chairman of the Board of Directors the aforementioned Vakıf Faktoring A.Ş.



**Şuayyip İLBİLGİ**  
**(Financial Management Strategy and**  
**Affiliates: General Accounting and Financial**  
**Operations, Strategy and Planning,**  
**Subsidiaries and Affiliates)**

Şuayyip İLBİLGİ was born in 1972 in Ceyhan and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics in 1994. In 1996, he started to work as Assistant Specialist at T. Vakıflar Bankası T.A.O. He served as a Manager at the Treasury Department between 2007 and 2010, and then in 2010, he served as the President of the Treasury Department. Mr. İLBİLGİ, who was appointed as Deputy General Manager to T. Vakıflar Bankası T.O.A. on 01.08.2017, also serves as the Deputy Chairman of the Board of Directors at VakıfBank International AG.



**Mikail HİDİR**  
**(Risk Monitoring & Liquidation: Chief Legal**  
**Counsel, Legal Affairs, Credit Risk Planning**  
**and Monitoring, Credit Risk Liquidation)**

Mr. Hidir, born in 1979 in Kepsut/Balıkesir, graduated from Ankara University, Faculty of Law in 2000 and worked as a lawyer for some time. In 2003, he began his career as an assistant auditor at VakıfBank. After working as an Auditor, Mr. Hidir held the positions of Credit Risk Liquidation Manager, Compliance Manager, Head of Loan Monitoring, Legal Proceedings, Head of Internal Audit and Executive Vice President in Güneş Sigorta. Mr. Hidir was appointed as Executive Vice President on December 13, 2018. He is fluent in English. He is also the Chairman of the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and a Member of the Board of Directors at Kredi Garanti Fonu A.Ş.



**Hazım AKYOL**  
**(Corporate and Commercial Banking:**  
**Corporate Banking Marketing, Commercial**  
**Banking Marketing, SME Banking Marketing,**  
**Cash Management, Product Development and**  
**Foreign Trade Marketing, Corporate Branches)**

Mr. Akyol, born in Aksaray in 1969, graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1990. He began his career as Assistant Auditor at VakıfBank in 1993. Following his role as auditor, Mr. Akyol worked chronologically as Assistant Manager of Commercial Loans Department and as Manager of Bursa, Kavaklıdere/Ankara, Kızılay/Ankara, Corporate Marketing Manager of Ankara Regional Head Office and Emek/Ankara Branches, respectively. Following those roles, Mr. Akyol was promoted to Senior Vice President position of Institutional Payroll Department and Ankara Corporate Centre Branch. He was also Board member in various subsidiaries of the Bank. Mr. Akyol was appointed as Executive Vice President at VakıfBank on May 31, 2019. Hazım AKYOL also serves as the Chairman of the Board of Vakıf Finansal Kiralama A.Ş.

## Executive Management



**Alaattin ŞİMŞEK**  
**(Support Services and Credit Policies Deputy General Manager: Support Services Department, Assessment and Rating Department, Credit Policies and Processes Implementation Department)**

Mr. Şimşek, born in Araklı/Trabzon in 1972, graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration in 1994. He began his career as Assistant Auditor at VakıfBank in 1995. Following his role as auditor, he worked chronologically as Assistant Manager of Blacksea Regional Directorate, as Manager of Trabzon Branch and as Regional Manager of East Anatolia Regional Directorate. At the Head Office level, Mr. Şimşek served as the Head of Support Services and Loan Monitoring Departments. Prior to his appointment as Executive Vice President at Vakıf Yatırım Menkul Değerler A.Ş. Mr. Şimşek also served as the Regional Manager in different regions including Trakya, third, fifth and sixth regions of Istanbul, respectively. Mr. Şimşek was appointed as Executive Vice President at VakıfBank on May 31, 2019 and also serves as the Chairman of the Board of Directors of Vakıf Gayrimenkul Değerleme A.Ş.



**Ferkan MERDAN**  
**(Digital Banking, Customer Experience and Corporate Communication: Digital Banking and Distribution Channels, Corporate Communication, Customer Experience and Management, Payment Systems Services)**

Mr. Ferkan MERDAN, born in Kayseri in 1973, graduated from Istanbul University, Faculty of Political Sciences, and Department of Finance in 1996. Mr. Merdan has a masters' degree from the University of Turkish Aeronautical Association, Institute of Social Sciences, and Department of Business Administration. Mr. Merdan began his banking career at Ziraat Bank Banking School in 1996. His career in VakıfBank started as assistant auditor in 1999 and he worked as assistant auditor and auditor until 2006. Mr. Merdan worked as Manager at Financial Control Department between 2006-2015 and he was promoted to Senior Vice President position in General Accounting and Financial Affairs Department in 2015. Mr. Merdan was appointed as Executive Vice President at VakıfBank on May 31, 2019. He also serves as a Board Member at VakıfBank International AG and Interbank Kart Merkezi A.Ş., and as Vice Chairman of the Board of Directors at Platform Ortak Kartlı Sistemler A.Ş.



**Muhammed Onay ÖZKAN**  
**(Treasury Management and International Banking: Treasury Management, International Banking and Investor Relations, Treasury Middle Office)**

Mr. Muhammed Onay ÖZKAN, born in Van in 1977, graduated from Ankara University, Faculty of Political Sciences, and Department of Finance in 1999. Mr. Özkan began his career as Assistant Auditor at VakıfBank in 2000. He worked as Inspector between 2000-2007, Dealing room Deputy Manager between 2007-2011, Dealing room Manager between 2011-2012 and Asset and Liability Management Manager between 2012-2017. He served as Senior Vice President position in Treasury department between 2017-2019. He was appointed as Executive Vice President of T. Vakıflar Bankası T.A.O. on 31.05.2019 and, apart from his duty of Executive Vice President, he is also the Chairman of the Board of Directors of Vakıf Yatırım Menkul Değerler A.Ş.



**Arif ÇOKÇETİN**  
**(Loan Allocation Management: Corporate Loans Allocation Management, Commercial Loans Allocation Management 1, Commercial Loans Allocation Management 2, Retail and SME Loans Allocation Management, Specialized Loans Management)**

Arif ÇOKÇETİN, who is a graduate of Istanbul University Faculty of Political Sciences, Department of Finance, has worked in the Ministry of Finance for a while and has worked in VakıfBank since 1996 with the titles of Financial Analyst, Manager and President. ÇOKÇETİN, who was appointed as Deputy General Manager on 13.07.2020, works as the Executive Vice President responsible for Loan Allocation Management. Arif ÇOKÇETİN also works as the Chairman of the Board of Directors at KKB Kredi Kayıt Bürosu A.Ş.



**Kadir KARATAŞ**  
**(Human Resources and Institutional Development: Human Resources, Corporate Development and Academy)**

Kadir KARATAŞ, who is a graduate of Bolu Abant İzzet Baysal University Faculty of Economics and Administrative Sciences, has worked in VakıfBank since 1996 with the titles of Financial Analyst, Controller, Manager, Regional Manager and President. KARATAŞ, who was appointed as Executive Vice President on 13.08.2020, works as the Executive Vice President responsible for Human Resources and Corporate Development. Kadir KARATAŞ is also a Member of the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

## Internal Control Systems Executives

### **Mustafa EMRE**

#### **Head of the Audit Board**

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

### **Özhan BİLGİN**

#### **Head of Risk Management**

Özhan BİLGİN, who graduated from Department of Industrial Engineering of Gazi University Faculty of Engineering and Architecture, started his banking career in 2005 as an Intern Clerk to the Credit Risk and Operational Risk Management Directorate. Afterwards, he worked in the Credit Risk and Operational Risk Management Directorate as Financial Analyst Assistant, Specialist and Assistant Manager, respectively. While he was working as Assistant Manager in the Market Risk Management Department as of 2015, he was promoted to the title of Manager as of 10.08.2016. He was appointed as the Head of Risk Management Department on 21.06.2019.

### **Ali ÇALIŞ**

#### **Head of Internal Control**

Ali ÇALIŞ, who graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Finance, started his banking career as an Assistant Auditor at Board of Auditors Department in 1996. He worked as an Auditor in 1999, and from 2005 he performed his duty as a Manager at various branches. He served as a Vice President at Board of Auditors Department in 2010 and was subsequently appointed as Head of Support Services Department in 2011 and Head of Cash Management Marketing Department in 2018. He is carrying on his duty as Head of Internal Control since June 24, 2019

## Financial Rights

The Chairman, Deputy Chairman and members of the Board of Directors are paid remuneration determined each year by the General Assembly and applied with the approval of T.R. Presidential Authority. Within this scope, the gross amount (including remuneration, travel allowance, accommodation, representation expenses, other real and material rights) paid to the members of the Board of Directors, members of the Audit Board and senior executives is TL 32.8 million in 2020. We state this matter in the Article 9 of the 66<sup>th</sup> Ordinary General Assembly Meeting and publish the minutes of the General Assembly on our website. However, considering the banking sector practice, we do not disclose the remuneration wages and all the benefits provided to the members of the Board of Directors and

executives with administrative responsibilities on an individual basis. We determine fixed and performance-based payments to senior management and other employees in line with the principles set out in our Bank's Remuneration Policy, and publish the relevant document in Turkish and English on our corporate website.

On the other hand, the loans to be extended to the members of our Board of Directors and our executives by our Bank are limited in accordance with Article 50 of the Banking Law. In this context, our Bank did not lend money or extend loan to any member of the Board of Directors.

The conditions of any member of the Board of Directors have not been improved, loan has not been extended through a third party and no collateral has been given by the Bank. In addition, in accordance with Articles 395 and 396 of the Turkish Commercial Law, members of the Board of Directors are permitted at the general assembly. There is no activity that took place within the scope of the permission granted in 2020.

## Committee Structures and Policies

**Our Executive Committees operate for the purpose of policy formulation, determining strategy, monitoring compliance with action plans and performance evaluation.**

As an important indicator of the governance structure, we designed our senior management structure in compliance with the Corporate Governance Principles. Our Board of Directors, which is the highest managing body that directs our strategies and policies, consists of nine members in total, including the Chairman, Deputy Chairman, General Manager and six members, and three of them are independent members in accordance with the Corporate Governance Principles. Our Board of Directors consists of nonexecutive members, except General Manager and the duties of the General Manager and the Chairman of the Board of Directors are carried out by different people.

The committees that we have formed to carry out active operations for all corporate governance activities, continue their duties within the framework of the working principles specified in the Bank's Articles of Incorporation. Our management committees which operate for the purpose of policy formulation, determination of strategy, monitoring compliance with action plans and performance evaluation;

- Board of Directors
- Credit Committee
- Audit Committee
- Corporate Governance Committee
- Remuneration Committee
- Asset and Liability Management Committee
- Ethical Principles and Ethics Commission

You can reach detailed information about our Committees on our corporate website <https://www.vakifbank.com.tr/committees.aspx?pageID=2528>

In addition to the above committees, in line with the corporate governance understanding, in order to work towards the vision and mission of our Bank and to make healthy and fast decisions in our Bank; there are also Technology Steering Committee, Information Security Committee, Emergency and Contingency Subcommittee, Savings Committee, Capital Committee, IT Architecture Committee, New Product Development Committee, Market Risk Management Committee, Credit Risk Management Committee, Treasury Foreign Exchange Position and Stop Loss Limits Management Committee, Digital Transformation Committee, Suggestion Evaluation Committee, R&D Management Committee, R&D Executive Committee and Executive Committee. In 2020, the "Operational Risk Management Committee" and the "Banking Improvement and Development Committee" started their activities.

### Our policy documents created within the framework of corporate governance;

Disclosure Policy	Profit Distribution Policy	Anti-Bribery and Corruption Policy	Anti-Money Laundering Policy	Donation and Aid Policy
Human Rights and Employee Rights Policy	Occupational Health and Safety Policy	Remuneration Policy	Compensation Policy	Environmental Policy
Supplier Selection and Compliance Policy	Customer Satisfaction Policy	Sustainability Policy	VakıfBank Ethical Principles	

## Committees

### CREDIT COMMITTEE

VakıfBank Credit Committee is comprised of two permanent members and two alternate members, in addition to the CEO. Şahin Uğur and Serdar Tuñbilek are the permanent members. Dr. Adnan Ertem and Dilek Yüksel are alternate members.

The functions of the Credit Committee are as follows:

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

### AUDIT COMMITTEE

Dilek Yüksel and Serdar Tuñbilek were elected to the Audit Committee that was established in order to assist VakıfBank's Board of Directors in carrying out its auditing and oversight responsibilities.

The Audit Committee has assumed the following duties and functions;

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

### CORPORATE GOVERNANCE COMMITTEE

Corporate Governance Committee of VakıfBank is comprised of Board Members Hamza Yerlikaya, Dilek Yüksel, Sadık Yakut, Ali Tahan and Korhan Turgut. The Corporate Governance Committee is responsible for overseeing the Bank's compliance with the Corporate Governance Principles.

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

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

### REMUNERATION COMMITTEE

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

The Remuneration Committee evaluates remuneration policies and practices in the context of risk management and submits its suggestions to the Board of Directors in a report annually.

This Committee develops its recommendations regarding remuneration of the members of the Board of Directors and senior executives by taking the Bank's long-term objectives into consideration. Moreover, it establishes remuneration criteria to be used in relation to the respective performance of both the Bank and members of Board of Directors; and recommends the Board on remuneration to be paid to members and senior executives in the light of the extent to which such criteria are met.

**ASSET & LIABILITY MANAGEMENT COMMITTEE**

The Asset & Liability Management Committee convenes on a weekly basis to evaluate economic and market developments and to discuss the possible impacts of these developments on the Bank's balance sheet. In this context, actions are taken to preserve the assets quality and steer the development of the balance sheet in line with the growth strategies planned by the Bank in a way of managing the funding cost and structural risks on foreign exchange, interest rate, liquidity and credit risks at the optimal level within the thresholds set by applicable law.

In order to maintain effective liquidity and funding management, the Committee monitors borrowings and credit extensions that bring short-term cash inflows and outflows and evaluates measures and actions that will inform on liquidity/fund-raising and extensions in accordance with the Bank's primary objectives and strategies.

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

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

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

**ETHICAL PRINCIPLES AND ETHICS COMMISSION**

Duties and authorities of the Commission are indicated below.

- Determination the ethical behavior criteria, setting up the procedures and principles regarding the establishment, placement and development of the ethical culture in the Bank
- Determination the framework of ethical behavior principles
- Carrying out operations to establish ethical culture in the Bank and supporting operations to be carried out in this topic
- Evaluation of applications to be made officially or in person for allegation of invasion of the ethical behavior principles to the Ethics Notification Line.

The Commission is composed of Executive Vice President who is responsible from Department of Human Resources, Head of Audit Board, Head of Internal Audit, Chief Legal Advisor, Head of Human Resources, Head of Corporate Development and Academy, Head of Strategy and Planning, Head of Compliance and Regulation. Commission convenes at least every three months.

**MEETING SCHEDULE OF THE COMMITTEES AND ATTENDANCE TO MEETINGS*****Board of Directors***

It generally convenes every 15 days, but more frequently in case of emergencies. The Board of Directors convened for 77 meetings and passed 977 resolutions in 2020.

***Credit Committee***

It generally convenes every 15 days and holds extraordinary meetings in case of emergencies. Meeting time is determined based on the number of agenda items received by the meeting secretariat and their urgency. The Committee convened for 38 meetings and passed 293 resolutions in 2020.

***Corporate Governance Committee***

It convenes on the dates specified by the Committee Chairman; generally, every three months or at least twice a year, but not to exceed six months between meetings. The Committee convened for three meetings in 2020.

***Remuneration Committee***

It convenes at least once a year. The Committee convened once in 2020.

***Audit Committee***

The Committee convened 22 times in 2020.

***Asset & Liability Management Committee***

The Committee generally meets weekly; and it convened 50 times in 2020.

***Ethical Principles and Ethics Commission***

The committee convened once in 2020.

## Outsourced Support Services

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

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

Private Security and Cash Transportation Services Procured from Companies under Law Numbered 5188 on Private Security Services:

- Loomis Güvenlik Hizmetleri A.Ş.
- Desmer Güvenlik Hizmetleri A.Ş.
- Bakkaloğlu Özel Güvenlik Ltd. Şti.
- PYS Güvenlik A.Ş.

IT Systems and Software Services:

- Bilişim Bilgisayar Hizmetleri Ltd. Şti.
- Diebold Nixdorf Teknoloji A.Ş.
- Experian Bilgi Hizmetleri Ltd. Şti.
- ICS Financial Systems Ltd.
- Infina Yazılım A.Ş.
- Innova Bilişim Çözümleri A.Ş.
- Key Internet Hizmetleri Bilgisayar Yazılım Don. Mühendislik Müş. San. ve Tic. Ltd. Şti.
- Kobil Bilgisayar Enerji ve Elektrik Sistemleri San. Tic. Ltd. Şti.
- Kredi Kayıt Bürosu A.Ş.
- Mapa Global Bilgisayar Yazılım Danışmanlık Sanayi Ltd. Şti.
- Pronet Güvenlik Hizmetleri A.Ş.
- Riskaktif Danışmanlık Eğitim Yazılım San. Tic. Ltd. Şti.
- Suntec Business Solutions FZE
- Troy TRM Enformasyon ve Yazılım Ltd. Şti.
- Veripark Yazılım A.Ş.
- Verifone Elektronik ve Danışmanlık Ltd. Şti.
- 6Kare Bilgi Teknolojileri A.Ş.

Call Center Services:

- CMC İletişim Bilgisayar Reklam ve Dan. Hiz. San. ve Tic. A.Ş.
- Assisist Rehberlik ve Müşteri Hizmetleri A.Ş.
- Global Bilgi Pazarlama Danışma ve Çağrı Merkezi Hizmetleri A.Ş.
- Metis Bilgisayar Sistemleri San. ve Tic. A.Ş.

Retail Marketing and Data Entry Services:

- PTT Turkish Post
- 18 car dealers

Printing of Negotiable Instruments:

- MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.

Outsourcing:

- Vakıf Pazarlama Sanayi ve Ticaret A.Ş.
- OBSS Bilişim Bilgisayar Hiz. Dan. San. ve Tic. Ltd. Şti.
- Triotech Yazılım Ltd. Şti.
- Link Tera Bilgi Teknolojileri A.Ş.
- 
- Credit Card Distribution Services:
- Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.

Printing of Deposit and Credit Card Account Statements

- Postkom Basım Posta ve İletişim Hizmetleri A.Ş.

## Transactions with The Bank's Risk Group

The details of the transactions with the Bank's risk group in 2020 and explanations thereon are presented in the annual report in the footnote numbered VII to Section 5 of the Independent Auditor's Report on Unconsolidated Financial Statements.

# Corporate Governance Principles Compliance Statement

## SECTION I- DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

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

The Bank carried out its activities in the field of Corporate Governance in accordance with Corporate Governance Principles included in the Annex of the Corporate Governance Communiqué No II-17.1 published in the Official Gazette dated 3 January 2014 and numbered 28871 and the CMB's regulations on the issue.

The Bank is in full compliance with the following principles that must be implemented by banks (1.3.1.), (1.3.5.), (1.3.6.), (1.3.9.), (4.2.6.), (4.3.1.), (4.3.2.), (4.3.3.), (4.3.4.), (4.3.5.), (4.3.6.), (4.3.7.), (4.3.8.), (4.5.1.), (4.5.2.), (4.5.3.), (4.5.4.), (4.5.9.), (4.5.10.), (4.5.11.), (4.5. 12.), (4.5.13.), (4.6.2.) and (4.6.3.). Necessary steps will be taken to comply with the Principles in the upcoming period.

Although it is aimed to fully comply with the non-compulsory Corporate Governance Principles, the main principles that have not yet been complied with are stated below and detailed information on the subject is included in the relevant sections. Until today, there has not been any conflict of interest between the stakeholders arising from non-compliance with the principles.

- Regarding the principle 4.3.9, a target rate and target time have not yet been determined in the VakıfBank Board of Directors, and among the 9 members of the Board of Directors elected at the 66<sup>th</sup> Ordinary General Assembly held on June 12, 2020, there is 1 female member. Regarding the principle 4.4.7, the assignment of members of the Board of Directors outside the Bank has not been restricted. The members of the Board of Directors of the Bank have been given permission on matters falling within the scope of articles 395 and 396 of the Turkish Commercial Code, and this issue was submitted to the shareholders' information and approval at the General Assembly with a separate agenda item.
- Regarding the principle 4.5.5, the members of the committee are elected in accordance with the principles specified by the Capital Markets Board Corporate Governance Principles and the Banking Regulation and Supervision Agency; and some Board members serve on more than one committee. These members aim to increase coordination between committees.
- Regarding the 4.6.1 principle, no evaluation has been carried out at the board level for performance evaluation. However, it is planned to work on evaluating the performances of the members of the Board of Directors in the coming years.
- Regarding the 4.6.5 principle, in parallel with the general practices in the sector, wages are not shared on an individual basis and the total payments made to the members of the Board of Directors are shared in the Ordinary General Assembly and the Integrated Activity Report.

The Corporate Governance Committee, which is responsible for investigating to what extent the corporate governance principles are applied in the Bank, determining the reasons for not being implemented, determining the negativities that develop as a result of not being fully implemented, and recommending the taking of remedial measures within the framework of the Regulation on Corporate Governance Principles of Banks published by the Banking Regulation and Supervision Agency and the Corporate Governance Communiqué published by the Capital Markets Board, convened 3 times in 2020 with the participation of all members. The Board of Directors deemed the work carried out by the Corporate Governance Committee in 2020 effective, appropriate, sufficient and in compliance with the legislation.

## SECTION II- SHAREHOLDERS

### 2.1 Investor Relations Department

The duties of the Investor Relations Department are fulfilled by Ali Tahan, Head of International Banking and Investor Relations, and Zeynep Nihan Dincel, Investor Relations Manager, under the management of Executive Vice President Muhammed Onay ÖZKAN.

Conducting relations with foreign and institutional investors, rating institutions and shareholders, the Investor Relations Department informs and reports to the Board of Directors regarding all activities carried out and submits presentations periodically.

# Corporate Governance Principles Compliance Statement

## Investor Relations Department

**Investor Relations E-mail Address:**  
investorrelations@vakifbank.com.tr

**Senior Vice President:** Ali TAHAN\*  
Phone: (0216) 724 26 61  
E-mail: ali.tahan@vakifbank.com.tr  
Licenses: Capital Market Transactions Level 3 License, License on Derivatives, Corporate Governance Grading Licenses

\* He acts as a member of the Corporate Governance Committee in accordance with Article 11 and paragraph 2 of the Corporate Governance Communiqué

**Manager:** Zeynep Nihan Dincel  
Phone: (0216) 724 26 85  
E-mail: zeynepnihandincel@vakifbank.com.tr

## Department Staff

Ece Seda YASAN YILMAZ – Associate  
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Berna SELEM ARSLANTAŞ – Associate  
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Nagehan GERÇEKER – Assistant Associate  
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Mehmet Mümtaz MEMİK – Assistant Associate  
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(0216) 724 26 91

Main duties and responsibilities of the Investor Relations Department are as follows;

- Managing relations with existing and potential foreign investors, local institutional investors and rating agencies,
- Maintaining the relations with brokerage companies' analysts who prepare reports regarding the Bank,
- Attending meetings organized in Turkey and abroad on behalf of VakifBank,
- Preparing quarterly presentations regarding results of the financial statements and making teleconferences,
- Preparing corporate presentations and similar type of meeting tools that publicize the Bank arranging various target-driven publicity and informative meetings,
- Keeping the "Investor Relations" page up-to-date that includes Turkish and English contents on the Bank's website,
- Working in coordination with the relevant Head Office departments in preparing and updating the Corporate Governance Principles Compliance Report,
- Contributing to the preparation of the Bank's annual and interim activity reports,
- Responding to the written and verbal information requests of the shareholders regarding the partnership, excluding the information that is confidential and trade secret and has not yet been disclosed to the public,
- Ensuring that the records regarding the shareholders are kept up to date and stored securely,
- Overseeing that the Bank's information and sustainability policies are kept up-to-date
- Announcement of material event disclosures required to be made within the scope of the capital market legislation and the relevant legislation that the Bank is obliged to comply with, through the Public Disclosure Platform,
- Carrying out joint studies with departments on sustainability-related studies,
- Ensuring the necessary coordination for the establishment and continuity of the Quality and Environment management system defined by the Corporate Governance Committee within the Bank.

In 2020, Investor Relations Department:

- Information requests submitted by the shareholders were answered.
- Participated in 9 local and foreign investor conferences and webinars and held online meetings with over 200 domestic and foreign institutional investors.
- Within the scope of the measures taken for the Covid 19 pandemic, all meetings, trainings and conferences to be held in-bank and face-to-face were canceled as of March, and more than 150 meetings were held, most of them via teleconference and videoconferencing. Meetings were held with over 300 investors / analysts. Following the investor information conferences attended, reports were prepared in line with the information received from the investors and presented to the senior management.
- Four teleconferences were organized on the results of the financial statements and their records were published on the English website.
- Annual regular evaluation meetings were held with rating agencies (Moody's, Fitch and JCR).
- Close contact was established with all analysts who prepared reports about the bank, accurate and reliable information was provided to the analysts during the preparation of the reports, and feedback was given to the analysts regarding the reports they prepared.
- Continuous communication with fixed income securities investors continued.
- Documentation studies of the foreign borrowing program (GMTN) were carried out, and the Sustainable Financing Framework Document was prepared to form a basis for the issuance of "Green Bond" and / or "Sustainable Bond," and the first sustainable Eurobond transaction was issued by Turkish deposit banks worth USD 750 million.
- Thus, within this scope, new resources amounting to USD 5.1 billion were obtained from international debt capital markets despite the difficult market conditions caused by the Covid-19 pandemic that affected the whole world in 2020 within the Directorate of Investor Relations Department

- The secretariat procedures of the Corporate Governance Committee, which is the highest authority responsible for the execution of sustainability activities, and the Sustainability Working Group affiliated to this committee were carried out.
- Partnerships have been carried out with other relevant head office units of the Bank for the development of sustainable banking practices.
- In line with the International Integrated Reporting Council (IIRC) framework, the Bank's first Integrated Annual Report was published, where the story of creating value by linking financial and non-financial components was published. The report was deemed worthy of two gold awards in the categories of 'Photography' and 'Interior Design' and two silver awards in the 'Annual Specialized Report' and 'Eco-Friendly' categories within the scope of ARC Awards International organized by Mercomm.
- Relations have been carried out uninterruptedly in order to ensure continuity in BIST Sustainability Index and FTSE4Good Emerging Markets Index, where the Bank is listed.
- The Global Compact, the largest sustainability initiative on a global scale, and the United Nations Women's Empowerment Principles (UN WEPS) have been signed.
- The Bank was selected for the second time this year in the Bloomberg Gender Equality Index (Bloomberg GEI), which conducts the largest gender equality research on a global scale, and maintained its continuity in the index in 2021.
- After a dedicated study in the evaluation methodology of Sustainalytics, one of the leading independent global firms in providing Sustainable Banking, Environmental, Social, Corporate governance research and rating services to investors, the Bank's ESG risk rating has been improved from 30.1 (high risk) to 23.1 (medium risk).
- VakıfBank succeeded in keeping its carbon emission at the level of 53,413 tCO<sub>2</sub>e in 2019 by performing a sensitive energy and emission management within the scope of the works carried out jointly with the units within the scope of its sustainability efforts. In return for this amount verified by ISO 14064 certificate, "55,000 Verified Carbon Units" produced from clean energy sources were taken and VakıfBank became a Carbon Negative organization by balancing more than all greenhouse gas emissions.
- The continuity of the ISO: 9001-2015 Quality Management System, which was established in 2017 to cover all the Bank's activities, was ensured, and full coverage was started within the scope of ISO: 14001-2015 Environmental Management System in 2020.
- Necessary contributions were made to the efforts to continue the OHSAS: 18001-2007 Occupational Health and Safety Management System certificate, which was acquired in 2018.
- Also VakıfBank has become Turkey's first bank receiving ISO Integrated Management System Certification.

## 2.2 Exercise of Shareholders' Right to Information

Questions directed to the Investor Relations Department, except for confidential and trade secret information, are answered either by telephone or in writing by contacting the most authorized person.

The questions addressed to the Investor Relations Department are answered, except the ones that interfere with confidential business information, by contacting with the most authorized person. Information and developments that interest the shareholders such as stock transaction, capital increase, dividend transactions, General Assembly meetings, financial statements, disclosure of material matters, are regularly communicated with the related parties via websites, newspaper ads, mails or phone calls. Mentioned developments and information are shared with the investors located abroad via e-mail. Moreover, information requests made within the activity period by the domestic shareholders about the status of their stocks, conversion transactions of the existing shares and stock sharing transactions upon death are responded in writing.

Information and explanations concerning the shareholders are published on the corporate website in Turkish and English.

Turkish investor relations link:

[http://www.vakifbank.com.tr/Yatirimci\\_Iliskileri.aspx?pageID=657](http://www.vakifbank.com.tr/Yatirimci_Iliskileri.aspx?pageID=657)

English investor relations link:

<http://www.vakifbank.com.tr/investor-relations.aspx?pageID=625>

These websites include; corporate information, Bank's Articles of Incorporation and the Law on VakıfBank, General Assembly information documents, profit distribution chart, General Assembly Internal directive, attendance lists, brief minutes, periodic financial statements and annual reports, credit rating scores given by credit rating agencies, Corporate Governance reports, sustainability information, stock data, press releases and announcements about the developments in the Bank. Publicly announced via Disclosure Platform developments about VakıfBank and disclosure of material matters are available on these websites.

VakıfBank implements the provisions of the Turkish Commercial code in relation to appointment of a private auditor, this issue has not been provided for in a separate article in the Articles of Incorporation. There was no request for appointment of a special auditor during the year of 2020. VakıfBank is subject to audit periodically within the scope of especially Banking Law and related legislations

## 2.3 General Assembly Meetings

In 2020, the Ordinary General Assembly Meeting was held at the company headquarters. The 66<sup>th</sup> Ordinary General Assembly Meeting was held on 12 June 2020 and the meeting quorum was 88.80%.

"Regulation on The General Assemblies of The Joint Stock Companies That Will Be Made in Electronic Environment" and "Communiqué on The General Assembly System That Will Be Used in The General Assemblies of The Joint Stock Companies." The shareholders had the opportunity to attend the General Assembly meeting on an electronic platform, express their opinions, make suggestions, and cast their votes.

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In order to inform the shareholders in prior to General Assembly Meetings, the call for General Assembly, the agenda, power of attorney sample and other attached documents were publicly announced in conformity with the relevant legislation via Public Disclosure Platform, Turkish Trade Registry Gazette, Electronic General Assembly System and at least on two newspapers (published nationwide) selected by the Board of Directors. These documents were also published in Turkish and English on the Bank's website. A minimum of 21 days prior (meeting and call dates excluded), a call for a General Assembly is made in the Central Registry Agency system for the e-General Assembly service that enables participating, making proposals and statements, and voting at the Bank's General Assembly Meeting on electronic platform. Moreover, these documents are sent to the shareholders whose up-to-date addresses are listed on the Bank's records.

The 2019 annual report, issued for the General Assembly, including Bank's balance sheet and profit/loss statements of 2019 accounting period, Board of Directors annual report, auditor's report and independent external audit company report, was made available in prior to the General Assembly within the timelines set out in the related regulation for the Bank shareholders' information and review via VakıfBank corporate website, Central Registry Agency system, Electronic General Assembly System, Head Office and all branches of the Bank. Furthermore, in case shareholders request, Bank's branch staff will be providing them with the copies of the call for General Assembly, agenda and power of attorney samples. Shareholders, entitled to attend the General Assembly, who completed the necessary procedures did attend the Ordinary General Assembly Meeting held in 2020.

In the announcement and invitation letters published before the General Assembly;

- Date, time and location of the meeting,
- Agenda of the meeting,
- The body inviting shareholders to the meeting (e.g. Bank's Board of Directors)
- The locations where the annual report, balance sheet and profit/loss accounts statements are available for review by shareholders in case of ordinary meeting announcements (Head Office, branches, Central Registry Agency system, Electronic General Assembly System and corporate web site)
- Sample power of attorney for shareholders who will not attend the meeting in person

The issued annual report includes information such as; information regarding the activities of the Bank, information regarding the top management, Bank's balance sheets, balance sheet footnotes, independent audit report, audit board report, Board of Directors' proposal for profit distribution, Corporate Governance Principles Compliance Report, Ratings of Rating Agencies etc. Upon request, the Investor Relations Department provides shareholders with a copy of the annual report before or after the General Assembly meeting.

No media members participated in the 66<sup>th</sup> Ordinary General Assembly of the Bank.

In the General Meetings of the Bank, all shareholders, irrespective of the volume of their participating share, are entitled to speak, to express their opinions and to ask questions on the agenda items, regardless of their share rates. In the Ordinary General Assembly meeting held in 2020, there was no item requested by the shareholders to be included in the agenda.

Within the scope of Corporate Governance Principle No 1.3.5, all questions asked during the General Assembly meetings and the answers given to these questions are available on the Bank's website within 30 days following the General Assembly. In the wishes and closing section, which is the 15<sup>th</sup> agenda item of the Ordinary General Assembly Meeting held on June 12, 2020, the shareholders were given the right to ask questions and speak regarding all agenda items, and the stakeholders conveyed their opinions and suggestions. During the meeting, Ceyhun Şentürk asked about the effect of low-interest loans on the share price, and it was stated that he would be given a written reply by the Investor Relations Department within the legal period.

The questions asked by the shareholders who attend the Ordinary General Assembly Meeting both physically and electronically, the wishes and thoughts they declare, and the answers given by the Meeting Chairman and the Presidency regarding these issues are included in detail in the minutes of the General Assembly. Following the General Assembly, minutes and the annexes of the General Assembly Meeting are announced to the public and the shareholders via Public Disclosure Platform, Turkish Trade Registry Gazette, e-Company Information Portal and Electronic General Assembly System and furthermore on the Bank's website.

Information was given at the General Assembly Meeting about the amount of aid and donation made by the Bank within the period. Summary of the General Assembly Meeting include information about this issue.

In 2020, there was no matter left to the General Assembly for resolution due to the majority of the independent Members of the Board of Directors not casting affirmative vote.

Shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with the Bank or its associate companies which may lead to conflicts of interest. Furthermore, the aforementioned individuals did not make any transaction, related to a commercial business that is within the scope of the Bank's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses.

## 2.4 Voting and Minority Rights

The provisions regarding voting rights of the shareholders and the use of these rights are stipulated in Article 17 of VakıfBank's Articles of Incorporation. As per the Article 19 of the VakıfBank Articles of Incorporation, shareholders (A), (B) and (C) have the privilege to nominate in the election of the Board of Directors.

VakıfBank's shares are divided into (A), (B), (C) and (D) groups. Nominal values and voting rights of the share certificates in all classes are equal. Group (D) consists of publicly traded shares.

Shareholders use their voting rights in the General Assembly in proportion to the total nominal value of their shares. Every ten shareholder or representative of this amount has one voting right in the general assembly. Those who have more than ten shares have the right to vote regardless of the limitation in terms of the amount mentioned above. Regarding voting by proxy, the regulations of the Capital Markets Board are complied with.

There is no company with which VakıfBank is a mutually affiliated and there is no vote cast for this reason in the 66<sup>th</sup> Ordinary General Assembly. The use of minority rights is subject to the Turkish Commercial Code, the Capital Markets Law, the relevant legislation and the communiqué and resolutions of the CMB.

### 2.5 Dividend Rights

There is no provision in the VakıfBank Articles of Incorporation that stipulates the privileges in participating in profit sharing. The principles regarding the profit distribution VakıfBank's share are explained in Article 35 of the Articles of Incorporation.

Each year, Board of Directors of VakıfBank submits its proposal on profit distribution to the General Assembly and to the Shareholders' information via annual report prior to the General Assembly meeting. The proposal of the Board of Directors regarding profit distribution is discussed and resolved at the General Assembly. Profit distribution procedures were completed within the legal timeframe in line with the decision taken by the General Assembly about distributing 2019 Profit and necessary notifications were made to the public authorities. Furthermore, the relevant decision was publicly announced on the same day via Public Disclosure Platform.

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

With the aim of complying with the Corporate Governance Principle Numbered 1.6.1., in 2014, the Board of Directors of the Bank created a "Profit Distribution Policy" and published the document in Turkish and English on the corporate website. Profit Distribution Policy was presented to the approval of the shareholders at the Ordinary General Assembly Meeting held in 2015. Thus, full compliance with the relevant principle was achieved.

### 2.6 Transfer of Shares

All Bank shares are registered shares and divided into Class (A), (B), (C) and (D) groups.

The process regarding the transfer of bank shares was completed as of December 11, 2019 and 58.51% of the Bank's shares were transferred to the Treasury. It is recorded in the Bank's share book on behalf of the Ministry of Treasury and Finance.

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 ("CMB"), the Banking Regulation and Supervision Agency ("BRSA") and the Procedure for Borsa Istanbul'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 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.

Thus, while the paid-up capital of the Bank increased to TL 3,905,622,490, the remaining amount was reflected in the records as share premium.

Following the capital increase, T.C. Treasury and Ministry of Finance has 37.45% share of the bank, while Turkey Wealth Fund has 35.99% of the shares of the Bank. In addition, according to the Bank's current shareholding structure Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı has 10.31%, other annexed foundations and other real and legal persons have a total share of 0.11%. The Bank's 16.15% share is open to the public.

The Bank's Articles of Incorporation does not include any provisions to restrict the transfer of Class (B) shares held by other attendant foundations and of Class (C) and (D) shares.

However, as per to the 6<sup>th</sup> article of the Articles of Incorporation, VakıfBank Board of Directors is authorized to convert from Class (B) shares held by attendant foundations (subject to permission by the General Directorate of Foundations) and Class (C) shares into Class (D) shares at the request of the Shareholders.

## SECTION III- PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1 Banks's Website and its Content

The Bank has two separate websites; that are regularly updated and published in accordance with the Corporate Governance Principles in Turkish ([www.vakifbank.com.tr](http://www.vakifbank.com.tr)) and English (<http://www.vakifbank.com.tr/English.aspx?pageID=977>)

The links of Investor relations website in Turkish and in English as presented below;

Investor Relations Website in Turkish:  
[http://www.vakifbank.com.tr/Yatirimci\\_Iliskileri.aspx?pageID=657](http://www.vakifbank.com.tr/Yatirimci_Iliskileri.aspx?pageID=657)

Investor Relations Website in English:  
<http://www.vakifbank.com.tr/investor-relations.aspx?pageID=625>

These websites include; information about the Members of the Board of Directors and Senior Management, VakıfBank's organizational structure, committees and partnership structure, the Bank's record of registration, financial information and annual reports for the last 5 years at least, credit ratings given by credit rating agencies, Corporate Governance reports, information regarding sustainability, and the sustainability reports of the Bank, stock data, analyst list, presentations for investors, Bank's Articles of Incorporation and the Law on VakıfBank, General Assembly Internal directive, attendance lists, General Assembly brief minutes, capital increase and dividend ratios, code of ethics, information policy, profit distribution policy, anti-bribery and corruption policy, compensation policy, donation policy, remuneration policy, environment policy,

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human rights and employee rights policy, social responsibility policy, Occupational Health and Safety policy, MASAK compliance policy, sustainability policy, customer satisfaction policy, supplier selection and compliance policy, Medium Term Bonds and Mortgage Covered Bond Program and announcements regarding the developments in the Bank. These websites also include the disclosure of material matters on publicly announced developments about VakıfBank via Public Disclosure Platform. The Bank's corporate websites do not include information and announcement that may have impact on using shareholders rights. These websites also include the disclosure of material matters on publicly announced developments about VakıfBank via Public Disclosure Platform. The Bank's corporate websites do not include information and announcement that may have impact on using shareholders rights.

Interactive Analysis Function offers the opportunity to make comparative analysis of VakıfBank shares and indices in local and foreign currencies.

Bank's website is in compliance with The CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles numbered (2.1.1), numbered (2.1.2), numbered (2.1.3) and numbered (2.1.4) regarding corporate websites. Most of the announcements made by the Bank via Public Disclosure Platform are translated into English and published on the webpage. Furthermore, it is made sure that the English version is consistent with the Turkish version and is prepared in a manner that will be correct, complete, direct, comprehensible, and sufficient enough for the persons who will make use of the announcement to make a decision.

### 3.2 Annual Report

The Bank's Annual Report is being issued within the scope of the Banking Regulation and Supervision Agency's Regulation on the Principles and Procedures of Preparation and Publication of Annual Report by Banks. Bank's Annual Report is in compliance with the CMB's Corporate Governance Communiqué (II-17.1; date: 03.01.2014) principles numbered (2.2.1) and numbered (2.2.2) regarding Annual Report.

## SECTION IV- STAKEHOLDERS

### 4.1 Disclosure of Information to Stakeholders

Stakeholders are informed regularly about the issues deemed necessary through press releases, press conferences, interviews, annual reports, news on the website, announcements and various meetings.

In order to ensure accurate and reliable flow of information, the Investor Relations Department prepares presentations regarding the financial statements disclosed each quarter, shares these presentations with the investors via website and e-mail and also announces them through live teleconferences. The Department, by attending the investor meetings organized by the investment companies, shares the developments related with the Bank and the sector and answers any type of related question and request over the phone or via e-mail on a daily basis. On the Bank's website; necessary technical infrastructure was built in the "Sorun Çözelim" section for the Bank customers' information requests, comments or complaints about the Bank's services and products. Information requests, suggestions and complaints of customers about the Bank's products and services as well as the problems of customers are resolved by all relevant departments of the Bank in the most effective manner.

In order to speed up stakeholders' access to information, and to facilitate Corporate Governance Committee's access to the Bank's transactions that are contrary to the legislation and that are ethically not appropriate; mail addresses are available as presented below and on the corporate website in the Investor Relations section for the information of the stakeholders.

investorrelations@vakifbank.com.tr  
yatirimciiliskileri2@vakifbank.com.tr  
vbsurdurulebilirlik@vakifbank.com.tr

The Information System Portal was built in order to provide information to Bank employees. All announcements are made on this intranet portal that is an internal information sharing system. At different locations employees can have immediate and effective access to the information they are looking for due to the fact that all internal information is available on the system. In this manner, as employee satisfaction increases, time and energy loss is prevented, as well. The aim is to achieve cost saving and faster communication

with the help of this portal. The opinions and suggestions of the employees are taken into consideration and studies are carried out within this scope. Employees convey their ideas and suggestions that they think will add value to the Bank through the Suggestion Platform.

With the Employee Loyalty and Satisfaction Survey conducted in 2019, the satisfaction factors determining loyalty in 2020 were analyzed and the areas where employees demand investment, their feelings and thoughts, and the areas they want to be developed were determined. The results of the Internal Customer Satisfaction Survey were evaluated, and necessary studies were carried out to take improvement and development actions together with the relevant Units.

With the Employee Loyalty and Satisfaction Survey conducted in 2019, Vakıf Emeklilik ve Hayat A.Ş., Vakıf Finansal Kiralama A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., which are included in the VakıfBank Finance Group has been a prize-winner in Turkey's Best Workplace "Kincentric Best Employer" category in 2020; while Güneş Sigorta A.Ş. were awarded Employee Engagement Achievement.

During the Covid-19 outbreak, customer and employee health was prioritized and the physical conditions of the branch were made compatible with the current process. Measures were taken to limit the number of customers within the branch and to ensure that branches operate remotely and from different locations. Most of the Headquarters employees continued their work with the remote access model alternately. In order to provide more efficient service to the institutions, the working hours of the branches within the institution have been made compatible with the institution they are located in.

VakıfBank holds the Management Summit, Internal Systems Summit and Strategy and Performance Meetings attended by its managers every term. At this summit, the Bank's current status, performance and expectations for the next period are discussed in line with the Corporate Strategic Goals.

The oversight of the existing control mechanisms for the compliance of the transactions performed by VakıfBank with the relevant legislation, banking practices, Bank's internal policies and ethical principles, is done by the Compliance Directorate with the coordination of Audit Board Department

Internal Control Department and Risk Management Department. The scope of the compliance function consists of: tracking of the compliance risks that may arise from the international regulations, in the foreign branches and consolidated partners of VakıfBank, performing necessary tasks in order to continuously increase the compliance awareness and culture within the Bank. The Audit Board is directly informed about the results of the activities carried out regarding the compliance function.

#### 4.2 Stakeholder Participation in Management

The Bank takes utmost care of its employees and all the stakeholders and thereby aiming to meet the expectations of its internal and external customers by improving the quality of its products and services: In order to achieve this aim, it designs all its systems in a manner that they can be continuously improved.

VakıfBank pays utmost attention that its employees play an effective role at the development stage of new products and services. With an e-mail address created in the Bank, employees are given the opportunity to state their opinions within the scope of the new product development. The presented opinions, after being evaluated by the departments of the Head Office, can be brought to the project stage.

If necessary, the Bank also provides information to the stakeholders who are not Bank employees, about the issues that concern them via the Bank's website, call center, branches and social media, phone and other communication channels. The Bank assembled the department called Consumer Relations Coordination Directorate, to ensure customer satisfaction. All requests, suggestions, complaints or positive feedback regarding the Bank's products and services can be communicated to the Bank through the Bank's website, internet banking, mobile banking, call center, CIMER, branches and social media. Additionally, customers can perform all banking transactions through a direct call to VakıfBank 24/7 branch at 0850 222 0 724.

In the early stages of the pandemic, special training videos were prepared with expert psychologists to ensure that the Bank employees could cope with the difficulties they faced more easily and adapt to the process. Employees were supported with training videos prepared on subjects such as "Moment and Awareness," "Internal Motivation," "Psychological Resilience and Resilience," "Customer Relations during the

Pandemic Period," "Intolerance," "Living with Social Isolation," "Spending Time at Home with Children," "Communication in the Family," "Mind-Body Connection" and "Work-Private Life Balance."

#### 4.3 Human Resources Policy

Within the scope of the sustainability efforts, the "Human Rights and Employee Rights Policy" that fulfills the requisites of the principle numbered 3.3.1. of the Corporate Governance Communiqué (II-17.1) was made available for the information of the stakeholders on the corporate website.

VakıfBank carries out a human resources policy that values and focuses on people with its current human resources practices. In line with the current human resources approach, the Bank aims to create proactive employees that are recruited, trained, developed and assigned appropriate roles/duties in compliance with their abilities, according to their qualifications and competencies, to perform talent management in the most effective way and that have a high level of banking professional knowledge and duty awareness, and make them adopt the Bank's goals and visions.

The main principles of the Human Resources policy carried out by the Bank are given as follows:

- Creating and maintaining a working environment to increase the motivation and efficiency of the Bank employee,
- Prioritizing the concept of gender equality in performing the policy and procedures of the Bank without discriminating among the female and male employee members, and thus providing a working environment where all employee members have equal opportunities and labor peace,
- Maintaining a permanent working environment open to communication at all levels,
- Evaluating employees' success and performance at work, encourage them, maintaining their moral and motivation at the highest level,
- Considering the material and moral interests of the employees' and pursuing, maintaining, developing a fair wage policy where equal wages are given for equal jobs without making any gender discrimination,
- Contributing to personal development of the employees and helping them reach their career goals while increasing their loyalty to the Bank and strengthening their sense of belonging through internal/external training programs,

- Taking necessary measures to increase health, safety, and welfare of the female/male employees, and increasing their loyalty to the Bank,
- Providing the employees with opportunities to get title promotions on the basis of female male equality, and contributing to improving their management and leadership skills with the new responsibilities given,
- Keeping track of the modern HR practices and developments, integrating the latest HR practices into the Bank's system and,
- To Ensuring that candidates are placed in positions appropriate to their potential in line with their behavior-based competencies by offering equal opportunities in recruitment processes.

The criteria about the employee to be employed at the Bank are specified in the Bank Personnel Directive. Recruitment process is carried out in line with the principles stipulated in the relevant legislation, taking long-term strategic targets of the Bank and the norm staff of branches and departments into consideration. VakıfBank aims to employ visionary and qualified candidates who can see the opportunities that evolve in the sector in the process of digitalization through recruitments it manages.

Recruitment at the Bank is made mainly by the titles of Officer, Assistant Associate in the Banking profession group, and by the titles of Assistant Auditor and Assistant Controller in the audit group. In addition, VakıfBank also employs personnel in IT Assistant Associate, Engineer, Architect and Lawyer titles to work in business departments outside the banking area such as IT Centers, Legal Departments etc. that requires specialties. The Bank conducts profiling based on the behavior-based competency criteria in order to identify qualified, correct and appropriate candidates for the corporate culture in the recruitments it performs in the group of specialized staff. In line with this, in order to determine the competencies of the candidates in this group, the candidates are subjected to the evaluation center application and appointed to the Bank after their competency-based evaluations.

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The Bank also aims to strengthen and increase employee loyalty through its human resources practices. In this regard, the "Business Compliance Practice Principles" document has been taken as a basis in order to facilitate the adjustment and adaptation of the newly appointed personnel to the Bank, and to transfer the corporate culture, vision, mission and objectives of the Bank to the newly recruited personnel in the best way.

Transactions regarding the change of place of duty at the Bank are carried out in accordance with the personnel needs of the branches/departments in the framework of the provisions of the Bank Personnel Regulation. It is aimed to manage the current human resources effectively and efficiently and to carry out the activities with the optimum number of personnel in the branch/departments in order to sustain the success of the Bank with the changes in the location of the duties.

The Bank also conducts activities for the development and modernization of business processes for human resources, and conducts HR business processes through the digital platform (VIT), where the Banking applications are placed and which the software of is the Bank's own. With the screens developed via this platform, HR processes are carried out in a structure where the risks arising from individual/operational errors are minimized without loss of documents and information from end to end.

Considering the lack of permanent staff in the Branches/Departments, and the need for authorized employee in the existing/future Branches/Departments employee and probable pensions, resignations and the like, promotion exams are made in accordance with the Bank Employee Directive's and the Career and Salary Management System Regulation's, relevant clauses that regulate promoting.

The aim is to create a structure based on the specialization of the staff members in line with their competencies and thus to determine their career steps by taking their performance measurements, expertise/experience in the field of task and trainings, certificates into consideration. Making evaluations with an organizational approach that cultivates its managers/executives, and monitoring the employee members who have the competencies necessary for the job, and making sure that they are cultivated for executive positions. To this end, efforts are made to increase the corporate (employee) loyalty, and to create an organization where activities are carried out adopting the corporate culture.

The performance process is continuously reviewed and improved as the performance measurements of Head Office Departments, regional directorates, branches and sales employee are made; performances are fairly and objectively evaluated; bonuses are paid to staff members depending on their performances.

Training programs inside and outside the Bank are carried out to improve the competencies of the staff and to ensure that the employees are specialized in their jobs in line with their career plans through the approach targeting continuous learning, innovation and perfection. Furthermore, there are special orientation trainings for novice Assistant Auditors, Assistant Associates, and Officers to build up the corporate culture, and to make sure they adapt themselves to the Bank.

Employees are informed about their job descriptions and distribution as well as performance and awarding principles via documents in the Bank's information systems and via notifications/announcements.

The Bank's staff works in accordance with the provisions of private law, and is recruited in conformity with the provisions of the Labor Law numbered 4857 currently in effect. Bank employees are "Turkish Bank, Finance and Insurance Company Employees Union" (BASS) members, and thus working conditions of the employees are determined with the collective bargaining agreements between the Bank and the Bank's staff works in accordance with the provisions of private law, and is recruited in conformity with the provisions of the Labor Law numbered 4857 currently in effect. Bank

employees are "Turkish Bank, Finance and Insurance Company Employees Union" (BASS) members, and thus working conditions of the employees are determined with the collective bargaining agreements between the Bank and the union. Currently, Collective Bargaining Agreement for the 24<sup>th</sup> Period between 01.05.2019 - 30.04.2021 in effect.

Relations between the employees and employers are carried out by the directors and representatives of the abovementioned unions. The union representatives forward the requests and complaints of the employees of the Bank about working conditions, personal rights, duties and responsibilities to the employers and monitor the process. Furthermore, there are union representatives, elected among the staff working in the Bank's Branches/Departments, (i) who should monitor whether or not the Collective Bargaining Agreement and the laws in force about the union members are practiced in line with their purposes and, (ii) who should verbally or in writing inform the director of that workplace about the insufficiency and discrepancy they detected on these issues. To date, there has not been any complaint from the employees about any discrimination issues. The names, surnames and duties of the directors of the abovementioned unions are given below.

NAME AND SURNAME	TITLE
Turgut YILMAZ	President
Mustafa EREN	Secretary General
Nefiye ARSLAN	Secretary General of Finance

#### 4.4 Ethical Rules and Social Responsibility

Pursuant to its objectives of protecting stability and reliability in the banking sector by preventing unfair competition, improving service quality and maintaining the reputation of the banking profession before the public, the Bank, with Board of Directors' resolution numbered 74205, dated February 16, 2006, adopted the Bank's Banking Ethical Rules, issued by the Banks Association of Turkey and has undertaken to comply with these rules. This resolution was approved by the General Assembly held on March 31, 2006. Business Ethics in Banking (Code of Ethics) is available in Turkish and English on the Bank's website.

Assuring to comply with the Business Ethics in Banking, VakıfBank continued to touch the public life also in 2019 with a sense of social responsibility. In addition to contributing to the solution of existing problems, the Bank continued to be the strength by side of the society by providing maximum support to areas open to improvement.

Making the awareness of social responsibility an integral part of its corporate culture as a requirement of the Anatolian heritage it carries in its capital, VakıfBank also sees it as a special duty to operate in areas that will provide social benefit. While serving its stakeholders within the framework of “always with you” understanding, it also establishes its corporate social responsibility framework by saying “I Am on Your Side.”

VakıfBank takes responsibility to fulfill its duties in periodic needs as well as sustainable projects that have been going on for many years, and shapes its financial services with similar awareness when necessary. VakıfBank continued its social responsibility projects without interruption in a difficult year under the pandemic conditions of 2020. In addition, by providing uninterrupted and favorable access to finance to all segments of the society, he said that I am on your side in difficult times.

Within the scope of the project carried out with the Ministry of National Education since 2017, the Bank has continued to support the widespread Art and Science Education Centers (SAC) throughout the country and contribute to the special education needed by children with special qualifications. This year, the establishment of 15 Artificial Intelligence Workshops and over 170 Information Technologies Laboratories in cities such as Istanbul, Izmir, Bolu, Trabzon, Bursa, Kayseri and Adana was undertaken. Thus, the total number of classrooms and workshops established with the support of VakıfBank approached 230, together with a total of 39 Mechatronics and Mind Games Workshops established in the previous years.

VakıfBank Cultural Publications (VBKY), which was established in 2018 with the aim of contributing to the cultural accumulation in our country at a national and universal level, bringing together the works that are waiting to be brought into light or to be translated into Turkish, and transferring the cultural heritage to the future generations, continues its publishing life with firm steps.

With more than 50 works published in 2020, the total number of books is close to 100 and VBKY continues to publish respectable and qualified books in the categories of literature, history, philosophy, economics, art, people and society, intersections.

Leaving its 34<sup>th</sup> year behind, VakıfBank Sports Club continues to be one of VakıfBank's precious formations. Representing Turkish women and Turkish volleyball successfully in the international arena with the cups and championships it has won, VakıfBank Women's Volleyball Team continued to be at the top in every field it competed in 2020. The team has completed as the leader of the Turkey League champion without being registered due to pandemic and similarly, it was continuing on its way without any loss in the European Champions League, which was left in the middle.

VakıfBank is “the most trophy-winning team of Turkey in the international arena,” and so far, the club has won 4 European Champions League, 3 Challenge Cup with a CEV Cup and World Championships. At the same time, it has succeeded in putting its name on the Guinness World Records for the second time in 2020. The team, which previously had a 73-game winning streak and managed to be volleyball team with the most official match wins, has earned a new registered record with three World Championships in 2013, 2017 and 2018.

The youth teams in sports, which is one of the most valuable investments of VakıfBank in the field of social responsibility, continued uninterruptedly and strongly this year. The youth team, which is composed of young and talented athletes, has achieved its success by being promoted to the upper league in the professional leagues it competes in, and has succeeded in being the club that sends the highest number of athletes to national teams in all age categories. Our sports schools in Istanbul, Ankara, Izmir, Bursa and Bosnia Herzegovina, which work with the aim of raising volleyball players between the ages of 7-14 as good individuals and good athletes, continued their activities in accordance with the required pandemic conditions. Volleyball schools, which have provided education to more than 3 thousand girls in the last five years, continue with the determination to bring talented young people into Turkish sports.

Supporting its employees to contribute to social life in addition to its Corporate Social Responsibility activities, VakıfBank organized activities in the fields of education, environment, arts and sports in 2020 within the scope of its internal communication strategy.

Thousands of children were reached with the Kindness Moneybox, a volunteering movement initiated to meet the needs of students in village schools in different cities; and their needs from stationery to clothing, from sports equipment to musical instruments were met. Again, thanks to the moneybox, the long-running campaign for animal shelters continued. The cleaning and daily use needs of the shelters, especially food, were provided by VakıfBank employees.

Running for good at the 2020 Istanbul Marathon, VakıfBank employees collected tens of thousands of lira to various non-governmental organizations, such as Darüşşafaka and KAÇUV. With these aids, it ranked 3<sup>rd</sup> in the number of donations between institutions.

VakıfBank social clubs, which were established to develop and showcase their employees' skills in arts and sports, continued their effective activities this year as well. A new one was added to Theater, Marbling, Turkish Classical Music, Turkish Folk Music, Polyphonic Music, Football, Basketball and Chess clubs and Folk-Dance Club was established. In addition, employees in various corporate tournaments and organizations represented VakıfBank in different areas, such as swimming and chess.

VakıfBank won the ‘Platinum Award’ with its “VakıfBank Sports Club - Success Has No Gender” project in the Gender Equality Category at the 12<sup>th</sup> Corporate Social Responsibility Summit Awards for the Institution Adding Value to Sustainable Development Goals.

# Corporate Governance Principles Compliance Statement

## SECTION V- BOARD OF DIRECTORS

### 5.1 Structure and Formation of the Board of Directors

NAME AND SURNAME	POSITION	START DATE OF THIS POSITION
Abdülkadir AKSU	Board Member (A)	27.05.2019
	Chairman of the Board	27.05.2019
	Remuneration Committee Member	12.06.2020
Abdi Serdar ÜSTÜNSALİH	General manager Board of Directors- Executive Member (A)	27.05.2019
Dr. Cemil Rağıp ERTEM	Board member	13.08.2018
	Deputy Chairman of the Board of Directors	12.06.2020
Dr. Adnan ERTEM	Board Member (B)	28.10.2010
	Remuneration Committee Member	06.04.2012
	Associate Member of the Credit Committee	12.06.2020
Dilek YÜKSEL	Member of the Board (C)- Independent	29.03.2016
	Member of Corporate Governance Committee	12.06.2020
	Member of Audit Committee	12.06.2020
	Associate Member of Credit Committee	29.03.2016
Serdar TUNÇBİLEK	Member of the Board (D)- Independent	09.06.2017
	Member of Audit Committee	15.06.2017
	Member of Credit Committee	27.05.2019
Şahin UĞUR	Member of the Board (C)	09.06.2017
	Member of Credit Committee	12.06.2020
Sadık YAKUT	Member of the Board	27.05.2019
	Member of Corporate Governance Committee	27.05.2019
Hamza YERLİKAYA	Member of the Board (A)- Independent	12.06.2020
	Member of Corporate Governance Committee	12.06.2020
BOARD OF AUDITORS		
Hasan TÜRE	Member of Audit Board	09.06.2017
Mehmet Emin BAYSA	Member of Audit Board	12.06.2020

As stated in Article 19 of the Bank's Articles of Incorporation; The Board of Directors consists of nine members and nine members of the board of directors were elected at the 66<sup>th</sup> Ordinary General Assembly Meeting held on 12.06.2020.

Pursuant to the regulations of the Banking Regulation and Supervision Agency, the Chairman of the Board of Directors does not have executive tasks and duties. General Manager Abdi Serdar ÜSTÜNSALİH is an executive member of the Board of Directors. There are no other executive members in the Board of Directors except the General Manager. The term of office of the members of the Board of Directors is three years. Members completing their term of office can be reelected. Résumés of the Members of the Board of Directors are included on <http://www.vakifbank.com.tr/yonetim-kurulu-uyeleri.aspx?pageID=300> and <https://www.vakifbank.com.tr/board-of-directors-and-statutory-auditors.aspx?pageID=2526>.

As per the Capital Markets Board regulations regarding Corporate Governance Principles, the number of Independent Members of the Board of Directors was determined as three. On 12.06.2020 at the Bank Ordinary General Assembly Dilek YÜKSEL, Serdar TUNÇBİLEK and Hamza YERLİKAYA were elected as Independent Members of the Board of Directors. Independent members of the Board of Directors' statements of independence are available, and there is no breach of independence as of the relevant activity period.

Duties of the Members of the Board of Directors outside the Bank within the Group:

NAME AND SURNAME	SUBSIDIARY	POSITION IN THE SUBSIDIARY	START DATE OF POSITION
Abdi Serdar ÜSTÜNSALİH	TSKB AŞ.	Member of the Board	14.06.2019

Member of the Board of Directors Dr. Adnan ERTEM's duty outside VakıfBank and the Group is Deputy Minister of Family, Labor and Social Services.

The provisions of the Turkish Commercial Code (TCC) articles 395 and 396 are applicable for the Bank's Board Members to assume duties outside the company. This issue was discussed in the 10<sup>th</sup> agenda item of the 66<sup>th</sup> Ordinary General

Assembly meeting held on 12 June 2020, and it was decided by majority vote to allow the members of the Board of Directors within the scope of articles 395 and 396 of the TCC by the shareholders.

### 5.2 Operating Principles of the Board of Directors

Board of Directors convenes upon the call of the Chairman of the Board of Directors; in the absence of the Chairman, meets upon the call of the Deputy Chairman when Bank affairs require. It is mandatory that the Board convenes at least once a month (Article 22 of the Bank's Articles of Incorporation). Meeting agendas are prepared according to the memorandums sent from the Head Office departments while various reports the Board of Directors requested from the execution and various issues presented by the Board Members are discussed during the meeting. The agenda and relevant files are presented to the members prior to the meeting.

Informational and communication activities for the Members of the Board of Directors of the Bank are carried out by the Board of Directors Administrative Department. In 2020, 76 Board of Directors meetings were held. Members of the Board of Directors did attend the Board Meetings except in cases they had excuses. Decisions were made unanimously. All questions, opinions and objections of the Members during the Board of Directors Meeting are recorded in the meeting minutes. Each Member of the Board of Directors has one right to vote, and members do not have weighted right to vote and/or negative veto right.

The Board of Directors convenes with the majority of the total number of members and takes its decisions with the majority of the members present at the meeting (22<sup>nd</sup> article/5<sup>th</sup> paragraph of the Bank's Articles of Incorporation).

An electronic meeting system was set up to enable the Members of the Board of Directors of the Bank to attend the meetings and to vote on electronic platform.

Losses incurred by the members of the Board of Directors as a result of their faults during their term of office, are covered under insurance. Employer's Liability Insurance 2020 policy's total value is USD 50,000,000 for each damage within the term of the policy.

### 5.3. Number, Structure and Independence of the Committees Formed at the Board of Directors

In order to efficiently and effectively carry out its activities in line with the Banking Law numbered 5411, Banking Regulation and Supervision Agency's "Regulation on Corporate Governance Principles in Banks," Capital Markets Board's Corporate Governance Principles and the Articles of Incorporation of the Bank; the Board of Directors has established Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee. All Members of the Audit Committee and the Chairmen of the other committees are Independent Members. Due to the fact that there are no Executive Members except the General Manager, in the Board of Directors, Committee Members are non-executive members. Committees are not entitled to take executive decision.

Information about the committees is available under the Committee Structures and Policies section in the Corporate Governance Section of the 2020 Integrated Annual Report.

The Board of Directors consists of nine members. Of these, three members of the Class (A) and one member of the Class (B) and two members of the Class (C) among the candidates that the majority of their class will nominate, one member among the candidates that shareholders will propose by initially taking into account the Class (D)'s preferences, and two members among the candidates that shareholders will propose are elected by the General Assembly. One member elected by the General Assembly considering the preferences of the Class (D) and one member of the Class (A) and (C) are independent members (Article 19/Paragraph 1 of the Bank's Articles of Incorporation).

Board Members assume duties in more than one committee since the number of the members of the committees of the Board of Directors is greater than the number of the members of the Board of Directors as stipulated in the principles of the Capital Markets Board Corporate Governance Principles and Banking Regulation and Supervision Agency. Committees are composed of at least 2 members.

### 5.4 Risk Management and Internal Control Mechanism

Head of Risk Management directly reporting to the Audit Committee that is responsible for carrying out activities for defining, measuring, reporting, monitoring and controlling the risks that the Bank faces. Furthermore, all departments are considered as a part of the risk management system.

Risk Management activities in the Bank are carried out in conformity with the legal legislation, also international best practices are pursued. Within this scope, risk management strategies were set up, as the policies for managing each of the risks were written within the framework of principle of materiality.

The Bank has created a "Risk Appetite Statement" in order to determine the risk level that it is ready to accept with the foresight of the risk capacity that it can handle the risks at a safe level in order to actualize its targets and strategies. In the risk appetite declaration, appetite indicators related to established capital, liquidity and risk concentrations and risk-based limits are regularly monitored.

A capital structure in appropriate with the risk level is closely monitored, as the Bank's resistance against unexpected and negative developments is measured via scenario analysis and stress tests. Besides measuring legal capital requirement, ISEDES (Internal Capital Adequacy and Assessment Process) activities that include internally evaluating the capital requirement for the risks the Bank faces/will face also carried out, as the results are evaluated by the top management.

Furthermore, Risk Management Department carries out its activities in coordination with the Audit Board, Internal Control Department and Compliance and Regulation Department within the scope of the "Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process. An efficient and effective internal control system was set up in order to; I) carry out the activities of the Bank in conformity with the targets, policies and strategies set by the top management and within the framework of existing legal legislation, and II) make sure that risky transactions are controlled in the Bank. In order to ensure the protection of bank assets, to carry out activities in accordance with the Law and other relevant legislation actively and efficiently, to carry out internal policies and rules and in accordance with banking practices, and to

## Corporate Governance Principles Compliance Statement

enable the reliability, integrity of the accounting and financial reporting system, and timely access to information, the Internal Control Department, which operates under the supervision and control of the Audit Committee; controls the operational procedures for carrying out activities of the Bank, bank's communication channels, information systems, financial reporting systems.

With a risk-oriented perspective, internal control activities are carried out in all domestic and international branches of the Bank, Headquarters departments and in subsidiaries subject to consolidation. Findings and suggestions determined within the scope of internal control activities are shared with the relevant parties through reports and the actions taken are followed up. Furthermore, information technology controls are also performed to check whether or not information system activities are carried out securely and in conformity with the guidelines determined by the Bank.

The Internal Control Department controls the functional classification of tasks and the sharing of powers and responsibilities in order to identify, measure and prevent the Bank's risks. Opinions are presented in order to reduce and manage risks by evaluating the compliance and the possible risks carried by of the projects, procedures and processes formulated by the Bank's business departments with the policies and rules within the Bank, control points are determined, increasing the effectiveness of the control activities, set up and enhancing auto control and systemic control mechanisms in the processes and procedures, and decreasing operational risks are provided.

The adequacy and effectiveness of risk management and internal control systems are audited by the Audit Board Department.

With the goals of current monitoring of the legislation regarding the legal obligations within the scope of "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism,," as well as the activities carried out in order to provide required compliance with the international rules, principles and fundamentals on the same issue and up-to-date monitoring of the legislation concerning banking activities, evaluating the

effects of the changes on the Bank's activities in a timely and with ensured full compliance, activities to monitor and coordinate internal Bank activities are carried out by the Compliance and Regulation Department.

Within this scope, as per the "Regulation On Program of Compliance with The Obligations Regarding Prevention of Laundering of Proceeds of Crime and Financing of Terrorism," in order to ensure that the Bank's obligations are fulfilled;

- » necessary policies and procedures are structured in the issues of identifying the customers, classifying them into risk categories and monitoring them, informing about the suspicious customer transactions and
- » controls are made to see if these policies and procedures are implemented or not,
- » opinion/approval is given for risky sector/country transactions,
- » Financial Crimes Investigation Board (MASAK) is informed about the transactions that are considered suspicious in the necessary investigations and evaluations made within the framework of a risk based approach about the potentially suspicious transactions (for the Bank) detected within the scope of monitoring and controlling activities or forwarded via channels like branches etc. to the Compliance and Regulation Department. In order to make sure that the Bank healthily keeps track of the international sanctions, the ban list covering the sanctions of the international organizations and institutions such as United Nations, European Union, Office of Foreign Assets Control (OFAC) and etc. is used in investigations and controls. The activities of the Compliance and Regulation Department are carried out in coordination with the business departments. Within framework of training activities; in-class and online trainings are regularly given to the Bank employee in order to constantly increase the awareness and culture within the Bank about "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism.

The developments regarding the legislation and banking practices related to banking activities are followed up currently by the staff of the Compliance and Regulation Department and the changes that are occurring are interpreted in terms of their effects on the Bank's activities and practices, and the necessary measures to be taken by the Bank and the changes required in the Bank's internal legislation and practices are determined, and is notified to the relevant business departments in writing. By coordinating the works in order to reflect the legislation changes to the Bank's internal legislation and practices, the measures taken by relevant business departments within this scope and actualized practice changes and internal legislation regulations are monitored and controlled regarding the compliance to the legislation within the scope of "Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process" and necessary measures are taken to provide timely and full compliance with the legislation. In addition, in line with the Regulation, controls are carried out for the compliance of the Bank's new products and services with the legislation.

With the domestic banking regulation, legislation on mutual information exchange agreements for the improvement of international tax compliance signed between OECD countries and the Republic of Turkey and the United States is followed and business departments in order to ensure compliance with these regulations are directed, the works carried out within this scope of relevant business departments are followed and coordinated.

Within the scope of the obligation to comply with all the principles contained in the Good Practice Manuals brought to the “Systemically Important Banks” by the Banking Regulation and Supervision Agency, and to present detailed justifications for principles that applied partially or not applied fully to the BRSA each year with the submission of the İSEDES reports, follow-up and control activities are carried out to ensure that the Bank’s, which is determined as “Systemically Important Bank” practices and policy documents are fully in line with the principles set out in the Good Practice Manuals, and relevant business departments are coordinated to make changes and corrections when necessary.

In addition, compliance of the Bank’s branches abroad with the legislation of the countries in which they operate, is checked by the personnel assigned in this context in the relevant branches, and reporting is made to the Compliance and Regulation Department regarding compliance.

The Audit Board Department conducts systematic audits for internal control, risk management and compliance systems in accordance with all legal regulations and Bank regulations.

### 5.5 Company’s Strategic Targets

The general strategies of the Bank are determined in line with the expectations on the economy and sector at the meetings chaired by the General Manager with the participation of the

top management. Forecasts regarding the annual projection in line with the strategies are evaluated by the management. Consequently, strategies of the Bank, annual projections are presented by the Strategy and Planning Department to the approval of the Board of Directors. Approved final projections and strategies are sent to the Bank’s Executive Vice Presidents and announced to the Bank staff as they are monitored by the relevant departments. Strategies and projections are reviewed at the high-level meetings held by the bank, the degree of achievement of the target and the developments in the sector are evaluated and necessary actions are taken.

### 5.6 Financial Rights Provided to the Board of Directors

The Chairman, Deputy Chairman and Members of the Board of Directors receive an annual salary that is determined by the General Assembly annually. In this context, in 2020, gross TL 32.8 million was paid to the members of the Board of Directors, Members of Audit Committee and Senior Management in terms of wages, travel allowances, accommodation, representation expenses and other real and material rights.

This issue was specified in the 9<sup>th</sup> article of the 66<sup>th</sup> Ordinary General Assembly minutes and the General Assembly minutes were announced on the Bank’s website. On the other hand, banking sector practices are also taken into consideration, and remunerations and benefits given to the

members of the Board of Directors and executives are not disclosed on individual basis. Fixed and performance based payments to the executives and other employee are determined and made within the framework of the principles of the Bank’s Remuneration Policy.

In order to comply with the principle numbered 4.6.2 of The Corporate Governance Communiqué numbered II-17.1, the “Remuneration Policy” of the Board of Directors of the Bank that entered into effect on 24.02.2014, was submitted for shareholders’ information at the 2015 Ordinary General Assembly Meeting. The policy mentioned has been updated in accordance with the “Guide on Good Remuneration Practices in Banks” published by the BRSA with the no. 65 decision of the Board of Directors dated 30.12.2019 and the document is available in Turkish and in English on the website.

On the other hand, the loans to be extended to the Board Members and Managers by the Bank are limited pursuant to Article 50 of the Banking Law. In this context, the Bank did not lend money or extend loan to any of the Members of Board of Directors. It did not improve the terms for loans or credits that have been given to the Members of the Board of Directors, and neither it extended loans by means of third persons and nor gave any collaterals.

Yours sincerely,

**Dilek YÜKSEL**

Chairman of Corporate Governance Committee

**Hamza YERLİKAYA**

Member of Corporate Governance Committee

**Sadık YAKUT**

Member of Corporate Governance Committee

**Ali TAHAN**

Member of Corporate Governance Committee

**Korhan TURGUT**

Member of Corporate Governance Committee

# Sustainability Principles Compliance Framework

Türkiye Vakıflar Bankası T.A.O. ("VakıfBank" or "the Bank") in their explanations regarding environmental, social, corporate governance (ESG) activities, adopts the general, environmental, social and corporate principles of the Sustainability Principles Compliance Framework, implemented with the Communiqué Amending the Corporate Governance Communiqué numbered II.17.1 of the Capital Markets Board published in the Official Gazette on October 2, 2020, and pays maximum attention to its implementation. Detailed explanations on the applications of the Sustainability Principles are included in the relevant sections below.

## SECTION 1 - GENERAL PRINCIPLES

### 1.1. Strategy, Policy, and Goals

VakıfBank has formed the necessary policies in line with the Corporate Governance Principles and Sustainability Principles in line with the Bank's strategy and relevant legislation. In this context, the Bank's Information Policy, Ethical Principles Policy, Profit Distribution Policy, Anti-Bribery and Anti-Corruption Policy, MASAK Compliance Policy, Donation and Aid Policy, Human Rights and Employee Rights Policy, Occupational Health and Safety Policy, Remuneration Policy, Indemnity Policy, Information on the Environmental Policy, Sustainability Policy, Customer Satisfaction Policy, Supplier Selection and Compliance Policy is available on the Bank's website.

Under the principle of "Sustainable development may only be possible with a sustainable environment," VakıfBank's commitments to minimize the impacts of their activities and ensure sustainable and innovative development in all areas related to the environment are as follows.

1. It aims to follow national and international practices in sustainability and contribute to the process with its procedures.
2. It develops environmental and social risk processes to minimize the adverse effects of credit and investment activities thanks to the business model that aims to grow in an integrated manner with the sustainability approach while carrying out its activities.
3. Adopts an understanding based on sharing the long-term values it creates with the principles of accountability and transparency, fairly with shareholders, customers, employees, and other stakeholders.
4. In order to successfully integrate the management system in environmental, social, and governance issues that it has developed in line with its sustainable development goals, to its long-term value creation goals for all its stakeholders, the Bank acts following the belief in cooperation in identifying good practices and product examples and taking advantage of new opportunities.
5. It plays an active role in the transition to a low carbon economy, one of the principles of sustainable development, and sets targets to reduce greenhouse gas emissions from its activities.
6. The Bank also aims to minimize the indirect environmental impacts from its activities with its loans to energy-saving and renewable energy projects.
7. As a part of its sustainable banking approach, it aims to be a pioneer in this field by accessing sustainable finance in national and international areas.
8. It aims to create a modern work environment where human rights are respected, social justice is ensured, and work rights are continuously improved. By spreading this perception, it aims to increase the awareness and awareness of employees, customers, and all other sustainability stakeholders.
9. Under the Bank's Ethical Principles, the Bank rejects all kinds of discrimination between individuals based on language, religion, race, gender, philosophical belief, sect, and similar reasons and takes precautions against any acts that will lead to its violation. It accepts the diversity of its employees as the most critical element of human capital.
10. It aims to contribute to its employees' success with a fair rewarding and performance system and works to provide a working environment compatible with its ethical values and strategic goals.
11. Organizes continuous training to increase employee awareness regarding integrating and internalizing the corporate culture's sustainability approach.
12. While creating a healthy work environment for its employees respects the constitutional right of unionization and collective bargaining and pays attention to this right's widespread use.
13. To ensure more effective management of information security in line with international standards throughout the Bank, it closely monitors innovations and developments in information security and continuously improves its processes.
14. Adopts medium and long-term strategies that protect customers and all other stakeholders' interests by placing the sustainable banking approach at the center of its business strategies.
15. It aims to work closely with its suppliers to benefit from its suppliers' environmentally friendly products and services and spread sustainability to the supply chain.
16. It acts equitably, honestly, and impartially in selecting suppliers and carries out purchasing and procurement transactions by considering the professionalism, the quality of the product, and the quality of the service.
17. It aims to integrate all areas by carrying out all sustainability activities in harmony with the corporate culture.

The Bank's medium and long-term goals, created according to the partnership strategy in line with the ESG policies, risks, and opportunities, are included in VakıfBank under Integrated Thinking in our Bank's Integrated Report.

### 1.2. Implementation / Monitoring

The Bank's corporate governance committees continue their duties within the framework of the working principles specified in the Bank's Articles of Association, and information about the committees is available on the Bank's website at the link <https://www.vakifbank.com.tr/committees.aspx?pageID=2528>. The committees regularly report to the Board of Directors regarding their activities during the year. The information regarding the number of reports submitted to the Board of Directors is disclosed to the public in the Corporate Governance Information Form, also included in the Integrated Annual Report.

The Bank develops implementation and action plans according to its medium and long-term goals specified in the Integrated Annual Report. In addition, it explains the performance indicators related to Environmental, Social, and Management comparatively yearly and identifies the sustainability performance improvement studies for products or services regarding business processes in the Integrated Annual Report.

### 1.3. Reporting

The Bank manages its financial and non-financial and sustainability performance as a holistic and shares its future strategies objectively in the Integrated Annual Report with stakeholders in the light of reliability and transparency principles.

Furthermore, VakıfBank explains the sustainability issues that it has determined with broad stakeholder participation to its stakeholders by associating them with the United Nations Global Sustainable Development Goals and multiple capital items in the Integrated Annual Report.

There are no lawsuits filed against the Bank regarding environmental, social, and corporate governance issues.

### 1.4. Verification

The Bank shares the British Standards Institution (BSI) verification statement for the CDP Report in the Integrated Annual Report. The information on sustainability performance measurements has also considered the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) in the integrated annual report prepared under the GRI Standards "Basic" option. The Bank benefits from the GRI Financial Services Sector Supplement and the Sustainability Accounting Standards Board Provisional Standard for Commercial Banks-SASB. While VakıfBank discloses its sustainability performance measurements to the public, it continues to increase the verification processes performed by national and international institutions.

Further, the Integrated Annual Report includes the United Nations (UN) Global Compact (UNGC) Progress Statement and the UN Women's Empowerment Principles (UN WEPs) Progress Report, of which we are a signatory. In the Integrated Annual Report prepared by taking advantage of the UN Sustainable Development Goals (SDG) guidance, there is a table showing the climate-related statements within the scope of The Task Force's recommendations on Climate-related Financial Disclosures (TCFD).

## SECTION 2 - ENVIRONMENTAL PRINCIPLES

The Bank's Environmental Policy has been publicly disclosed on its official website. ISO 14001 Environmental Management System Standard has been integrated into all working areas as of 2020.

The Environmental Management Service carries out the compliance with the relevant legislation monitored by the Compliance and Legislation Department. Environmental Policy, Waste Management Regulation, Zero Waste Regulation, Packaging Waste Control Regulation, Waste Electrical, and Electronic Equipment Control Regulation, Waste Batteries and Accumulators Control Regulation, Waste Oil Management Regulation, and Vegetable Waste Oil Control Regulation are examples of the legislation harmonized by the Bank on the environment.

The environmental report boundary included in the Integrated Annual Report and Carbon Disclosure Project Report prepared within the Sustainability Principles scope explains the reporting period's limitations, reporting date, data collection process, and reporting conditions.

The Board of Directors holds the highest responsibility for the overall performance of the Bank. To achieve the targets, the Board of Directors directs and reviews the general strategy of the Bank. Accordingly, it examines the main action plans, annual business plans, and budgets. Furthermore, the Board of Directors determines the sustainability and climate change strategy and revises it when necessary. The Bank evaluates risks and possible opportunities in sustainability, reviews and updates its policies in this regard. The Bank determines performance targets and allocates resources for performance; these targets are publicly disclosed in the corporate website and the annual Integrated Annual Report.

There is no risk and opportunity analysis in the Bank regarding environmental and climate change issues. However, in the Environmental Policy of the Bank, targets regarding the problems and the solution of these problems have been determined.

The Integrated Annual Report, published for the first time in 2019, explains the sustainability performance and activities to improve this performance.

The Bank carries out the position of vice president of The Banks Association of Turkey (BAT) Sustainable Working Group. Communication is provided with Municipalities, Provincial Directorates of Environment, and Urbanization within the Zero Waste Project scope. In the "Memberships and Collaborations" section of the Integrated Annual Report, the other associations affiliated to related institutions and supported activities are explained under Natural Capital, Climate Change, and Bank Environmental Performance.

The data collected under the ISO 14064 Greenhouse Gas Calculation and Verification standard are verified following the relevant standard. These data are used in the Integrated Annual Report, CDP Report, and Zero Waste System and shared with the public. Moreover, comparative data are available in the CDP Report and the Integrated Annual Report.

There is a 2% energy consumption and waste reduction commitment included in the Environmental Policy to reduce the environmental impacts of the Bank. It is predicted that the Bank, which also commits to the relevant platform to set a Science-Based Target, will realize this target within two years.

# Sustainability Principles Compliance Framework

VakıfBank makes the utmost effort in its “sustainability” activities within the scope of its economic and social responsibility through its services to its customers, stakeholders, employees, and society. VakıfBank is aware of its responsibility to combat climate change globally and nationally and provides the necessary contribution.

Therefore, the Bank seeks to reduce its carbon footprint within the scope of its environmental responsibility. In this context, VakıfBank has put the following principles into practice as of 2015:

- Supporting policies and national development plans to reduce greenhouse gas emissions by contributing to national draft policies and plans,
- Fulfilling not only the Bank’s global and national responsibilities but also being a role model in the Turkish Banking Sector for Environmental Sustainability at several platforms such as Istanbul Stock Exchange Sustainability Index, CDP, MidSEFF, TurSEff, and other initiatives,
- Continuous monitoring, transparent reporting, and improving GHG emission reduction performance since 2013.

VakıfBank is aware that climate change is a reality and that fighting/adaptation is a need. The Bank invests in R&D activities to develop and improve products that reduce third parties’ carbon footprint, such as mobile and internet banking. As part of the Branch Transformation Project, where it started to implement its new concept in the pilot branch as the first step of digital transformation, besides the physical structure; it has also simplified intra-branch transaction processes. It aims to increase the digital integration of processes by shortening long process steps. Thus, it supports the paperless banking model and seeks to improve our customers’ habits towards alternative distribution channels in digital areas created within the branch.

The Bank serves to reduce the impacts and carbon footprint that occur during its operations. In this context, it monitors environmental performance with an electronic database system, monitors the energy, waste, and water data of the Headquarters and all branches through this system, and prefers to use high-efficiency products to reduce greenhouse gas emissions and energy consumption.

Total energy consumption data (excluding raw materials) are reported, and the energy consumption is included in the CDP Report and Integrated Annual Report as Scope-1 and Scope-2, by years.

In 2020, financing support of over TL 2.1 billion was provided for 28 renewable projects. In addition, the electricity consumption in 2020 was 68,648,907.58 kWh.

On the other hand, the Bank decided to offset all carbon footprints in 2019 due to environmental awareness. Beyond that, it purchased more carbon credits than its total emissions, including Scope 3, and became a Carbon Positive organization as a leading organization in Turkey. It has achieved its goal of purchasing at least 10% of electricity from 100% renewable energy sources by 2020 at the latest. In 2020, the rate of electricity generated from renewable resources in total electricity consumption was 25%. It is aimed to increase this ratio above 75% in 2021.

Within the bank maintenance program’s scope, it is replacing all conventional lighting units with LED lighting. Thus, VakıfBank reflects that it saves approximately 3,900 MWh of electrical energy, which corresponds to 1,826 tCO<sub>2</sub>e emissions.

Drinking and potable water consumption, which is included in environmental performance data, is monitored by an electronic database system.

Although the Bank is not included in any pricing system, it closely monitors the subject’s developments.

VakıfBank attaches great importance to reducing its carbon footprint, so it offsets the entire carbon footprint, including Scope 1, Scope 2, and Scope 3. Moreover, as in 2019, it is planned to purchase more carbon credits than the total footprint in 2020. The entire inventory of greenhouse gases worldwide was 40,429 tCO<sub>2</sub>e in 2020. VakıfBank Türkiye wants to continue its claim to be the leading company and therefore plans to purchase 45,000 tCO<sub>2</sub>e carbon credits from the voluntary carbon markets.

The Bank’s environmental information is disclosed to the public within the scope of ISO 14001 Environmental Management System, Integrated Annual Report, Carbon Disclosure Project (CDP), and Zero Waste Project.

## SECTION 3 - SOCIAL PRINCIPLES

### 3.1. Human Rights and Employee Rights

VakıfBank, in its Human Rights and Employee Rights Policy, states that it makes the best effort to fulfill the basic principles of the United Nations Universal Declaration of Human Rights, to which Turkey is a party, and the International Labor Organization and the international conventions to which our country is a party, as well as the Labor Law. The Bank regulates employee rights and responsibilities based on the personnel regulations established under the Labor Law No. 4857 and the collective bargaining agreements signed between VakıfBank and the Bank Finance and Insurance Employees Union (BASS). These principles are available on the common portal accessible to all personnel.

VakıfBank provides equal opportunity to all candidates in recruitment processes. All recruitment processes are declared to candidates through public advertisements. Employment is provided after interviews are done with the candidates who are successful in the exam. In this process, the Human Rights and Employee Rights Policy emphasizes the importance of non-discrimination in women’s employment and inclusion issues. More than half of the bank personnel are female employees.

The Bank takes the necessary care to ensure equal opportunity for all its personnel. VakıfBank won a platinum award in the “Social Gender Equality” category at the 12<sup>th</sup> Corporate Social Responsibility Summit organized by the Corporate Social Responsibility Association.

In addition to the Labor Law, the efforts made to fulfill the basic principles of the United Nations Universal Declaration of Human Rights and the International Labor Organization, to which Turkey is a party; VakıfBank made a commitment to these principles by signing the “Equality at Work Declaration” prepared in cooperation with the World Economic Forum under the leadership of the Ministry of Family and Social Policies in 2013, without discrimination under its Ethical Principles.

In case of any situation regarding discrimination, inequality, human rights violations, and forced labor within VakıfBank, the Board of Inspectors evaluates the issue, and necessary actions are taken. Child labor is not allowed in the bank.

VakıfBank employs personnel under the Labor Law No. 4857. A Collective Bargaining Agreement is signed with the Bank, Finance and Insurance Employees Union (BASS). In 2019, the rate of employees covered by the collective bargaining agreement was 85%, and whether or not they are union members is determined as the preference of employees. The Bank carries out its activities to monitor its employees' rights who are union members, especially the wages and working conditions. VakıfBank attaches importance to talent management and organizational backup processes with the principle of raising its manager. Senior management is regularly informed about the works carried out in this context and their results. Training and development activities are planned following the results of these studies.

Within the framework of the Human Resources policy of the Bank, its primary purpose is to support the personal development of its employees through training activities by transparently and predictably managing career planning, performance evaluation, and remuneration processes.

The processes regarding wages, career, awards, and incentives within the scope of employee personal rights are operated by informing the employees in advance according to the criteria determined within the relevant regulations' size.

There are mechanisms for internal employees to convey their complaints and disputes. These are the Ethics Commission and the Head of the Bank Inspection Board. The related instruments can be efficiently notified via the "etikihbar@vakifbank.com.tr" e-mail address and the Board of Inspectors-Notice page within the Bank's applications. While evaluating the notifications, an objective and impartial attitude is displayed within the framework of confidentiality principles.

As a result of the examination, it is ensured that the necessary measures are taken by including the related parties subject to the violation in the process.

VakıfBank's Occupational Health and Safety (OHS) Policy reflects the superior value it attaches to people and considers providing a safe and healthy work environment to its employees as one of its primary responsibilities. VakıfBank adopts compliance with international standards and legal requirements on OHS as an essential requirement in this context. As the first bank in Turkey to receive the OHSAS 18001 Occupational Health and Safety Management System certificate, VakıfBank has fulfilled all its obligations regarding OHS processes in 2019. As a result of the audit firm's interim audits, it is entitled to receive the ISO45001 certificate in 2021. Occupational accidents and measures taken are included in the OHS Policy and Integrated Annual Report s on the Bank's website.

With the increasing complexity and variability with digital transformation, VakıfBank proceeds to strengthen its security systems to protect personal data and ensure data security, mainly to keep the defense against cyber-attacks at the highest level.

The Bank's Ethical Principles have been approved by the Board of Directors and published on the website. Within these principles, e-learning training on "Ethical Rules" is periodically assigned to employees.

VakıfBank's activities within the scope of social investment, social responsibility, financial inclusion, and finance access are explained under Ethical Rules and Social Responsibility in the Corporate Governance Principles Compliance Report.

Within the scope of ESG policies, VakıfBank provides training to its employees on professional/ technical and personal development to improve their knowledge and skills and improve their workflows. Pieces of training at the Bank are planned on a role-based basis. All employees are provided with equal opportunities to participate in the training. Positive discrimination is applied to women employees who are pregnant and have small children in their participation in compulsory training.

"Integrated Management System and Auditor" pieces of training are given to the environmental representatives of the Bank in the classroom / virtual classroom environment. The training content includes "Sustainability," "ISO 9001," "ISO 14001," and "ISO 45001." In addition, "ISO 9001 Quality Management System" and "ISO 14001 Environmental Management System" e-learning training are periodically assigned to employees to increase all employees' awareness on this issue.

In addition, PDPL training, which is prepared to inform employees within the scope of Personal Data Protection Law, is assigned as mandatory e-learning training to all employees.

In-class and video pieces of training support employees' development in customer relations and customer experience, strengthen communication between customers and employees, and increase customer satisfaction.

Training on "Occupational Health and Safety" is provided as in-class and e-learning training as compulsory training for all employees.

# Sustainability Principles Compliance Framework

In-class / e-learning training on "Suppression of Money Laundering and Terrorist Financing" is compulsory education. E-learning trainings under the heading of "Fraud" with the direction of the relevant unit are assigned to employees through the training portal.

### 3.2. Stakeholders, International Standards and Initiatives

VakifBank conducts its activities in sustainability, considering the needs and materiality of all stakeholders. In this context, VakifBank Customer Satisfaction Policy was created. The policy document in question was published on the website in Turkish and English.

In addition, Stakeholder Dialogue activities were carried out under the supervision of an external expert consultant organization to shape strategic sustainability issues with stakeholders' views within the scope of the Integrated Annual Report of 2019.

Following the materiality of our stakeholder groups in accordance with the Integrated Reporting and Accountability AA1000SE standard, to provide input into our strategies, we have carried out a stakeholder dialogue by keeping in touch with the representatives of our stakeholder groups, including senior management, employees, affiliates' employees, shareholders, unions, public institutions, customers, investors, financial analysts, suppliers, non-governmental organizations, universities, and the media. At the Stakeholder Dialogue Meeting, the participants were informed about sustainability and integrated reporting. The opinions of the participants were obtained with a detailed questionnaire prepared about VakifBank. A specially prepared questionnaire was sent to stakeholders who could not participate in the stakeholder dialogue meeting via e-mail, and responses were received. Finally, relevant stakeholder groups were contacted through phone calls after the items related to financing sustainability were added to the questionnaire questions.

In evaluating the opinions we receive from our stakeholders and stakeholder dialogues we organize with an integrated reporting focus, we also benefited from the results of research, practices, and dialogues carried out by our bank or external institutions and implemented for different purposes. We have also considered the outcomes of meetings with our managers in various departments, trends leading the industry, the United Nations Sustainable Development Goals, the United Nations Global Compact, the Carbon Disclosure Project, and international guiding principles outcomes in the field of sustainable development.

In addition to our stakeholders' opinions, we have considered our strategies and employee and senior management views to set material topics for our Bank and relate them to stakeholder material topics. In light of all these studies and our material topics, we have also determined our Sustainable Development Goals priorities: Quality Education, Gender Equality, Decent Works and Economic Growth, Industry, Innovation, and Infrastructure and Reduced Inequalities.

In this new era, where reliable sustainability indicators are an integral part of investment decisions, public disclosure and transparency determine the basis of communication with investors. In this context, ESG provides a strategic tool for analyzing rating agencies and trading in sustainability indexes, conveying and continuously improving the Bank's ESG performance. VakifBank has been included in the BIST Sustainability Index since 2014, which consists of the most sustainable companies in Turkey traded on Borsa Istanbul, based on its financial, environmental, social, and corporate governance performance.

We have also been included in the FTSE4Good Emerging Markets Index since 2017, which selects companies that meet globally recognized corporate responsibility standards.

VakifBank was selected for the second time with a higher score in the Bloomberg Gender-Equality Index (Bloomberg GEI), which conducted the most significant gender equality research globally and maintained its continuity in the index in 2021.

In addition, to further strengthen VakifBank's sustainable banking identity on global platforms, we voluntarily responded to the Dow Jones Sustainability Index (DJSI) survey questionnaire in 2019. Necessary efforts are being made to ensure voluntary participation in future periods.

As VakifBank, we considered the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) in its first Integrated Annual Report prepared under the GRI Standards 'Basic' option. We also benefited from the GRI Financial Services Sector Supplement and the Sustainability Accounting Standards Board Provisional Standard for Commercial Banks-SASB.

Detailed information about the organizations that the Bank is a signatory and a member of is included under the heading Memberships and Cooperations in the "Our Social and Relational Capital" section of the Integrated Annual Report.

#### **SECTION 4 - CORPORATE GOVERNANCE PRINCIPLES**

VakıfBank stated that it is in full compliance with the mandatory Corporate Governance principles within the scope of Corporate Governance Communiqué numbered II.17.1 and aims to comply fully with non-compulsory corporate governance principles. However, the principles that have not been adapted yet are explained in detail in the Corporate Governance Principles Compliance Report's relevant sections.

Putting the sustainable banking approach at the center of its business strategies, VakıfBank aims to realize its banking activities at international sustainability standards and to increase the value permanently it adds to all its stakeholders, society, and the environment, and to become a globally competitive bank with sustainable profitability and development principles.

As stated in the sustainability policy of the Bank, an understanding based on sharing the long-term values it creates with the shareholders, customers, employees, and other stakeholders fairly is adopted under the principles of accountability and transparency. The Bank aims to create a modern work environment where human rights are respected, social justice is ensured. Right to work is continuously improved and increases the awareness of its employees, customers, and all other stakeholders on sustainability by spreading this understanding. VakıfBank has determined medium and long-term strategies that protect customers and all other stakeholders' interests with its sustainable banking approach. In addition, the Bank holds Stakeholder Dialogue Meetings at regular intervals. In this direction, stakeholders are informed about sustainability. The stakeholders' views are integrated into the Bank's strategy, taking into account the Bank's employee and senior management strategies.

Through social responsibility projects, awareness activities, and training for employees throughout the year, much emphasis is placed on raising awareness about sustainability within and outside the bank.

VakıfBank is a member of international standards and organizations on sustainability and voluntarily contributes to efforts and supports initiatives in this area.

In addition to being against all kinds of bribery and corruption, we are determined to comply with the relevant laws, regulations, and principles. Issues such as laundering proceeds of crime and fighting financing of terrorism, and preventing the use of the financial system by criminals are also among the main areas that we focus on.

VakıfBank's Anti-Bribery and Anti-Corruption Policy is available on the website <https://www.vakifbank.com.tr/Default.aspx?pageID=2783>. In addition, the subject of "Anti-Bribery and Anti-Corruption" is included in the Ethical Principles of the Bank.

Yours sincerely;

**Dilek YÜKSEL**  
Chairman

**Hamza YERLİKAYA**  
Board Member

**Sadık YAKUT**  
Board Member

**Ali TAHAN**  
Board Member

**Korhan TURGUT**  
Board Member

## Statutory Auditors' Report

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

Auditors' Report was prepared in accordance with the Article 31 of Türkiye Vakıflar Bankası T.A.O. Articles of Incorporation and presented to you.

The Bank is open to public scrutiny and periodically audited by the Banking Regulation and Supervision Agency (BRSA) and the Independent Auditing Firm pursuant to the Article 30 of the Articles of Incorporation.

In 2020, the Bank

- increased its assets by 67% and reached TL 698.897.118 thousand, and increased its loans, which had the most important share in the asset, by 54 %, to TL 422.043.159 thousand.
- increased its deposit by 65 % to TL 414.043.543 Thousand in order to expand it to the base. In this context, it increased its demand deposits by 59 % reaching the amount of TL 80.536.322 thousand; and savings deposits by 42 % reaching the amount of TL 154.812.133 thousand.

The Bank's Capital Adequacy Ratio, which profited TL 5.010.456 thousand in 2020, is at the level of 16.44%.

Providing service with a total of 936 branches and staff of 16.748, the Bank continued to support the economy with its strong funding sources and structure. The development of the staff is supported by trainings by the Bank's Corporate Academy and 786,577 person/hour training was given to employees in 2020.

The financial information regarding the annual activities of the Bank, is presented in conformity with the procedures and principles in force under Banking Law numbered 5411, Turkish Commercial Code numbered 6102, Capital Market Law numbered 6362, generally accepted accounting principles, relevant legislation and the Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process.

The internal systems departments of the bank consist of the Board of Auditors Department, the Internal Control Department, the Risk Management Department and the Compliance and Regulation Department. It is observed that,

- Within the framework of the risk-focused audit plan; audit activities are carried out in a way that they include domestic and international branches, business departments and partnerships subject to consolidation,
- The risks the bank is exposed to, and the controls related to them and the results of the risk assessment are presented to the Audit Committee,
- The audit and evaluation of the companies that the bank has received support services whether they comply with the anticipated conditions have been carried out,
- Within the scope of compliance checks; the legislation regarding the banking activities and the developments regarding the banking practices are followed up and their effects on the banking activities are evaluated, the measures to be taken by the Bank and the changes to be made in the Bank's internal legislation and practices are determined, and the efforts to harmonize with the legislative changes in the Bank are coordinated, the actions taken by the relevant business departments as well as the new products and services are monitored and controlled in terms of the compliance with the legislation, efforts to comply with FATCA and CRS legislation is coordinated; corporate policies and procedures regarding risk management, monitoring and control, training and internal auditing, which are enforced within the scope of MASAK are formed.

The transactions carried out at the bank are examined through monitoring and control programs; the results of the analysis are analyzed and necessary notifications are made in line with the reporting obligation, and in this context, it is ensured that all transactions and activities of the Bank are carried out in accordance with the legal regulations regarding the prevention of laundering proceeds of crime and financing of terrorism,

- The Board of Directors' Declaration of 2020, which was prepared in accordance with the BRSA's circular and communiqués and includes evaluations regarding the internal control system, was approved by the Board of Directors and shared with the Independent Auditing Firm by the relevant departments.

As a result; it is understood that the internal control, internal audit and risk management systems established by the bank are operated effectively, adequately and appropriately, and the studies and trainings to prevent and detect fraudulent transactions are carried out.

Yours sincerely,

**Hasan TÜRE**  
Member of Audit Board

**Mehmet Emin BAYSA**  
Member of Audit Board

# Assessments of the Internal Systems and 2020 Operations

## INTERNAL AUDIT ACTIVITIES

With the Board of Directors' authorization, the Board of Inspectors carries out independent and objective assurance and consultancy activities to improve the Bank's activities and add value. Its primary purpose is to establish and operate the internal audit system, which is to assure the senior management regarding the effectiveness and adequacy of the governance, internal control, and risk management systems, as well as the fact that the Bank's activities are carried out in line with the Banking Law and other relevant legislation and the Bank's strategies, policies, principles, and objectives.

From this point of view;

Assessing the compliance of the activities of the Bank's Head Office units, domestic and foreign branches, affiliates, and subsidiaries, including the units within the scope of internal systems, and the activities of individuals and organizations from which support services are received, with the Banking Law and other legal regulations and internal legislation, strategy, policy, principles, and targets,

Conducting audits within the framework of the practices aimed at the accuracy of financial data, the protection of resources, and the effectiveness and adequacy of governance, internal control, and risk management systems.

In addition, carrying out investigations regarding the personnel's irregular and illegal transactions and the fraud and fraudulent transactions of third parties against the Bank.

Assurance work carried out by the Inspection Board Presidency is conducted in two different ways: on-site inspection and centralized control. On-site auditing activities are carried out in units, branches, subsidiaries, affiliates, and individuals and organizations from which support services are provided within the framework of the annual audit plan and prepared in line with the objectives and strategies of the Bank and with a focus on resources. Centralized control is carried out by applying information technology-supported remote auditing techniques to detect situations that may pose risks in branches and units and take measures quickly.

Internal controls on information systems and banking processes are assessed with a risk-oriented perspective, based on materiality criteria, and reasonable assurance is given by obtaining audit evidence for the audited controls' effectiveness and adequacy.

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

Compliance with the ISO 9001 Quality Management System, 14001 Environmental Management System, ISO 27001 Information Security Management System, and ISO 22301 Business Continuity Management System is assessed in the branches and headquarters units that are audited within the scope of the annual audit plan.

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

The corrective actions taken by the business units on the action dates are checked; if the corrective action is sufficient to eliminate the finding, the finding is closed; if it is not sufficient, the action date is followed.

The projects entered by the business units to eliminate the issues determined by the audits are evaluated as to whether the project's scope is sufficient to eliminate the finding. In case of deficiencies or errors, the relevant business unit is informed to ensure its correction.

Within the internal trainer activity scope, the Inspectors, who have internal trainers' titles, train the Bank's personnel on various required subjects.

Within the framework of the principle of continuous professional development, in-Bank and non-Bank trainings that contribute to the professional and personal development of inspectors are organized, and training is provided primarily to encourage the acquisition of international certificates.

Other than that, training of Inspectors is provided before inspection activities that require expertise.

Audit of 336 branches, 54 affiliated branches, audit of 11 Head Office business units and one internal systems unit, audit of 4 subsidiaries, audit of 26 Regional Directorates, audit of Head Office information systems units within the framework of COBIT, information systems audit in 3 subsidiaries, 20 support services Information system audit, Internal Capital Adequacy Assessment Process (ICAAP) audit, an annual evaluation of individuals and organizations from which support services are received, the audit of compliance with the ISO 14001 Environmental Management System in 143 branches, the audit of the Identity Sharing System, the audit of the SWIFT processes, the audit of the compliance with the ISO 27001 Information Security Management System and the ISO 22301 Business Continuity Management System has been completed within the scope of the 2020 Internal Audit Plan.

## INTERNAL CONTROL ACTIVITIES

The Internal Control function is structured to ensure establishment and coordination of a healthy internal control environment; protection of the Bank's assets; effective and efficient performance of the activities in conformity with the Banking Law and relevant legislation, internal policies and rules as well as banking practices, reliability and integrity of the accounting and financial reporting system; and timely accessibility of information. Accordingly, the Bank's domestic and foreign branches and head office departments are subject to internal control activities based on a risk-centered approach. According to risk conditions, domestic branch controls are conducted on-site or from the Head Office within the control programs' framework every year.

However, due to the COVID-19 pandemic that has affected the whole world in 2020, control activities have been configured to be carried out remotely and on-site.

## Assessments of the Internal Systems and 2020 Operations

Additionally, real-time controls are carried out for transactions performed at branches. In 2020, internal control activities were conducted in our Bank's 847 branches, 85 affiliated branches, 5 subsidiaries subject to consolidation, and 30 Head Office units where operational transactions are intense and deemed necessary. In addition, controls were conducted to ensure information systems activities are performed safely and in conformity with the Bank's rules. Findings and recommendations under all these control activities are reported and shared with the relevant departments as the actions taken are monitored.

The Internal Control function controls the distribution of roles and responsibilities and the functional classification of tasks to identify, measure, and prevent the Bank's risks; sets up auto-control mechanisms in all processes, procedures, and projects to be deployed in a manner that will cover potential risks; and establishes and enhances system controls. Activities are carried out to increase the effectiveness of control activities and minimize operational risks. In conformity with the objectives and strategies of the Bank, changing needs, risks, regulations, and technological developments are followed. Necessary adjustments and updates are made to ensure the effectiveness and functioning of the internal control system. Activities continue with the aim of enhancing the internal control culture in the Bank.

### COMPLIANCE DEPARTMENT'S ACTIVITIES

Compliance and Regulation Department carries out activities to fulfill the responsibilities stipulated in the Financial Crimes Investigation Board (MASAK) legislation within the scope of "Prevention of Laundering Proceeds of Crime and Financing of Terrorism," and to comply with international principles and rules on the same. Pursuant to the "Regulation On Program of Compliance with Obligations Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism," and to ensure that the Bank's obligations are fulfilled; necessary policies and procedures are established to identify customers, classifying them by risk categories and monitoring them, and inform on suspicious customer transactions. Controls are performed on whether these policies and procedures are implemented, and opinion or approval is presented for risky sector/country transactions. The Financial Crimes Investigation Board (MASAK) is informed on the transactions determined to be suspicious in the investigations

and evaluations made within the framework of a risk-based approach regarding potentially suspicious transactions for the Bank that are detected as part of monitoring and controlling efforts or forwarded via channels like branches etc. In order to make sure that the Bank healthily keeps track of international sanctions, the blocked person list, covering the sanctions of international organizations and institutions such as the United Nations, European Union, and the Office of Foreign Assets Control (OFAC) is used in investigations and controls. Compliance-related duties and activities are performed in coordination to prevent laundering the proceeds of crime and financing of terrorism at domestic and foreign branches of the Bank. For foreign branches subject to a compliance program prepared by the Bank as per the country of operation laws, compliance risks that may arise from the regulations in foreign countries are monitored by a member of the employees in charge of controlling compliance with applicable regulations. The activities as mentioned earlier are carried out in coordination with business departments. In-class and online training courses are regularly provided to the Bank's employees to constantly raise awareness and strengthen the culture of preventing the laundering of crime proceeds and financing terrorism.

### LEGISLATION MONITORING AND EVALUATION ACTIVITIES

The Compliance and Regulation Department carry out activities to effectively and efficiently monitor relevant legislation on banking activities and manage the compliance process.

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

Tasks for regulatory compliance controls are carried out within the scope of the "Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process." Accordingly, compliance with regulatory changes are coordinated; measures taken, practices changed, and internal

procedures formulated to align the Bank's internal policies and practices with such regulatory changes are monitored and controlled in terms of regulatory compliance; necessary corrections and changes are made; essential measures are taken to ensure prompt and full compliance with laws; controls are performed for regulatory compliance of new products and services, and the process of updating the internal procedures and guidelines are coordinated within the Bank.

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

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

Within the scope of the obligation that the detailed justifications to be prepared for complying with all the principles contained in the Good Practice Manuals and the principles which are partially implemented or not fully implemented are presented every year together with the submission of the Internal Capital Adequacy Assessment Process (ISEDES) reports to BRSA; the practices of the Bank which is designated as "Systemically Important Banks" and its policy documents are monitored and controlled to ensure that they are in full compliance with all the principles specified in the Good Practice Manuals.

The relevant business departments are coordinated to make changes and corrections when necessary.

Besides, our employees assigned at those branches in charge of the matters mentioned earlier and reporting on compliance monitor compliance of foreign branches with the legislation in their respective countries.

### **SUMMARY INFORMATION ON IMPORTANT LEGISLATION REGULATIONS PUBLISHED IN 2020**

With the Law Amending the Banking Law No.7222 and Some Laws; arrangements were made in the Banking Law No. 5411. You can reach the related change at <https://www.resmigazete.gov.tr/eskiler/2020/02/20200225-12.htm>

You can access The Law No. 7244 on Reducing the Effects of the New Coronavirus (COVID-19) Outbreak on Economic and Social Life and the Law Amending Some Laws at <https://www.resmigazete.gov.tr/eskiler/2020/04/20200417-2.htm>

With Law No. 7247 Amending Certain Laws and Decree Laws; Real estate investment trusts operating under the Capital Markets Law No. 6362 of our Bank were exempted from the Public Procurement Law No. 4734. By amending Article 76 of Banking Law No. 5411, Article 24 of Bank Cards, and Credit Cards Law No. 5464, it has been given the opportunity to be arranged with the contracts to be established through relationships between banks (and card-issuing institutions). Customers will be carried out over information or electronic communication device, which the Banking Regulation and Supervision Board determine can replace the written form, whether distantly or not, by using remote communication tools and written form, and the customer methods to allow authentication.

With the Decision of the Banking Regulation and Supervision Board dated 19.03.2020 and numbered 8949;

Following the sixth paragraph of Article 12 / A titled "Restrictions on housing, vehicle and consumer loans" of the Regulation on Credit Transactions of Banks, in the first paragraph of the same article, loans to be made available to consumers for housing purchases and loans with housing collateral excluding vehicle loans, the ratio of the loan amount to the value of the house

purchased as collateral, including the houses with Energy Identity Certificate issued under the Energy Efficiency Law No.5627 dated 18.04.2007 and with energy performance class B, an arrangement was made to increase to ninety percent for the houses with a value of five hundred thousand Turkish Liras and less.

Regarding the Asset Ratio of the Banking Regulation and Supervision Agency;

You can reach the decision dated 18.04.2020 and numbered 9000 at [https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat\\_0962.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat_0962.pdf)

You can reach the decision dated 28.09.2020 and numbered 9170 at [https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat\\_0982.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat_0982.pdf)

You can reach the decision dated 26.10.2020 and numbered 9238 at [https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat\\_0987.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat_0987.pdf)

With the decision of the BRSA dated 24.11.2020 and numbered 9271;

Banking Regulation and Supervision Agency ("BRSA") has removed the obligation of banks to calculate their active ratio weekly, which has been in effect since 1 May 2020, to mitigate the negative impact of the COVID-19 pandemic on the economy and the markets and incentivize the banks to extend loans and use their resources more efficiently. Accordingly, all the decisions of BRSA taken regarding the calculation of active ratio, dated 18 April 2020 and numbered 9000, dated 30 April 2020 and numbered 9003, dated 29 May 2020 and numbered 9042, dated 10 August 2020 and numbered 9125, dated 28 September 2020 and numbered 9170, dated 26 October 2020 and numbered 9238, are abolished, which will take effect from 31 December 2020.

Regarding the derivative transaction limits of the Banking Regulation and Supervision Board;

You can reach the decision dated 12.04.2020 and numbered 8989 at [https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0806\\_01.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0806_01.pdf)

You can reach the decision dated 25.09.2020 and numbered 9169 at [https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0852\\_01.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0852_01.pdf)

You can reach the decision dated 11.11.2020 and numbered 9248 at [https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0868\\_01.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0868_01.pdf)

Regarding the Banking Regulation and Supervision Agency's limitation of TL placements to be made with financial institutions residing abroad;

You can reach the decision dated 05.05.2020 and numbered 9010 at [https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0813\\_01.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0813_01.pdf)

You can reach the decision dated 27.11.2020 and numbered 9273 at [https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0876\\_01.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0876_01.pdf)

Regarding the value date application of the Banking Regulation and Supervision Board in gold and foreign exchange purchases;

You can reach the decision dated 21.05.2020 and numbered 9033 at [https://www.bddk.org.tr/ContentBddk/dokuman/duyuru\\_0821\\_01.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/duyuru_0821_01.pdf)

You can reach the decision dated 08.12.2020 and numbered 9311 at [https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat\\_1058.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat_1058.pdf)

You can reach the decision of the Banking Regulation and Supervision Board dated 17.03.2020 and numbered 8948 at [https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat\\_0949.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat_0949.pdf)

With the Decision of the Banking Regulation and Supervision Board dated 27.03.2020 and numbered 8970;

With its decision dated 17 March 2020, the 30-day default period for loans to be classified under group 2 loans pursuant to the BRSA Regulation on Classification of Loans and Provisions, Article 4, has been changed to 90 days. For loans that continue to be classified under the group 1 loans despite the 30-day default, banks will continue to set aside provisions following their risk models used to calculate expected loan loss under TFRS 9.

## Assessments of the Internal Systems and 2020 Operations

With the Board Decision dated 08.12.2020 and numbered 9312, the aforementioned regulations' duration would be in force until 30.06.2021.

With the Decision of the Banking Regulation and Supervision Board dated 27.03.2020 and numbered 8971;

Under the sixth paragraph of Article 12 / A of the Regulation on Credit Transactions of Banks, if the principal and interest payments of consumer and vehicle loans are postponed until 31.12.2020, a regulation has been made that the deferral period is not taken into account within the maturity limits determined by the third paragraph of Article 12 / A of the Regulation on Banks' Credit Transactions.

With the Board Decision dated 08.12.2020 and numbered 9312, the aforementioned regulations' duration would be in force until 30.06.2021.

With the Decision of the Banking Regulation and Supervision Board dated 30.03.2020 and numbered 8975;

The minimum amount in credit cards is determined as twenty percent of the debt of the period. Also, considering the banks' conditions due to the COVID-19 outbreak, until 31.12.2020, a regulation was declared to allow cardholders to define grace periods by not demanding their receivables, including the minimum amount the period as which they postpone their debts.

With the Board Decision dated 08.12.2020 and numbered 9312, the aforementioned regulations' duration would be in force until 30.06.2021.

With the Decision of the Banking Regulation and Supervision Board dated 26.03.2020 and numbered 8967;

In order to provide flexibility for banks to meet the minimum ratios regarding their liquidity levels, a regulation was made to exempt banks from Article 32 of the Regulation on the Calculation of the Liquidity Coverage Ratio (LCR Regulation) titled "Non-compliance with proportional limits" regarding the obligations of banks to meet their liquidity coverage ratios until 31.12.2020. However, as per Article 31 of the Regulation titled "Reporting on Liquidity Coverage Ratio," they will continue to report their liquidity coverage ratios to the Agency.

- Decision No. 8998 dated 16.04.2020 regarding the standard ratio of interest rate risk arising from banking accounts;

Pursuant to the Regulation on Measurement and Evaluation of Interest Rate Risk Arising from Banking Accounts by Standard Shock Method, to provide flexibility to banks in achieving the maximum rate for the standard ratio of interest rate risk arising from banking accounts; A regulation has been made to exempt banks from the provisions of the first and second paragraphs of Article 5 titled "Non-compliance with proportional limits" of the relevant Regulation until 31/12/2020, including the ratio calculated as of the end of March 2020.

With the decision numbered 9041 of 29.05.2020 regarding the calculation of the fair value of financial guarantees;

Until 31.12.2020, due to the difficulties that may arise in the fair value calculation in collateral valuation during the COVID-19 pandemic and due to the short-term decreases in the collateral values due to unusual market conditions; under the fourth paragraph (ç) of Article 20 of the Communiqué on Credit Risk Mitigation Techniques, a regulation has been made to leave the fair value calculation of financial guarantees to be made at least every 6 months to the discretion of the banks and to accept the fair values as of 31.12.2019 as valid in the valuation of financial guarantees.

With the Decision No. 8999 dated 16.04.2020 regarding the Capital Adequacy Regulation;

Under the standard approach within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks to the receivables of banks from Centralized Administration of the Republic of Turkey and arranged in foreign currency, a regulation was made to apply 0% risk weight in the calculation of the amount subject to credit risk.

You can access the Banking Regulation and Supervision Board's decision dated 08.12.2020 and numbered 9312 at [https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat\\_1059.pdf](https://www.bddk.org.tr/ContentBddk/dokuman/mevzuat_1059.pdf)

With the Communiqué on Procedures and Principles Regarding Fees That Can Be Charged from Commercial Customers (Number: 2020/4) published by the CBRT;

In order to increase predictability and transparency in transactions to be carried out by banks with their commercial customers, to ensure unity of concepts and terms, and to prevent excessive pricing, the types and qualities of the fees that can be charged for the products or services offered and the maximum amount or rates and the related procedures and principles have been determined.

Fees that may be charged for rediscount and advance loans originating from the CBRT made available through banks are excluded from the scope of this Communiqué, fees that banks can charge their commercial clients for products and services, offered under four categories as "Commercial Loans," "Foreign Trade," "Cash Management" and "Payment Systems," have been limited to 52 items. Quantitative or qualitative restrictions were imposed on some fee items, and banks were obliged to inform banks to ensure transparency.

-You can reach the Communiqué on Procedures and Principles Regarding Fees To Be Taken From Financial Consumers (Issue: 2020/7) at <https://www.resmigazete.gov.tr/eskiler/2020/03/20200307-9.htm>.

With the Regulation on the Production and Use of TR Data Matrix in Payment Services;

Turkey's own national data matrix standards have been created to support the development of the payment field, spread the use of data matrix in payments, and contribute to the efforts to spread to the financial base. Payment service providers (Banks, Electronic Money and Payment Institutions, and PTT A.Ş.) that provide the opportunity to pay with the data matrix are obliged to harmonize the data matrix and related infrastructures with this Regulation and the relevant technical documents by 31.12.2021 at the latest.

With the Communiqué Amending the Communiqué on Required Reserves (Number: 2013/15) (Number: 2020/17) “;

A regulation was legislated to abolish required reserve and interest/interest rates, which differ according to real loan growth, and applying necessary interest and reserve/interest rates at the same rates for the entire sector.

You can reach the Press Release No. 2020-16 on Measures Taken Against the Possible Economic and Financial Effects of the Coronavirus at <https://www.tcmb.gov.tr/wps/wcm/connect/tr/tcmb+tr/main+menu/duyurular/basin/2020/duy2020-16>

You can access the Press Release No.2020-22 on Additional Measures Taken Against the Economic and Financial Effects of the Coronavirus at <https://www.tcmb.gov.tr/wps/wcm/connect/TR/TCMB+TR/Main+Menu/Duyurular/Basin/2020/DUY2020-22>

Regarding swap transactions, regulations were made by the CBRT on 21.04.2020 and 04.05.2020.

With the regulation dated 21.04.2020, In the Turkish Lira Currency Swap Market, the limit of the total undue swap sales (buying foreign currency in the spot, selling foreign currency on maturity) through quotation was increased from 20 percent to 30 of the transaction limits of the Foreign Exchange and Banknotes Markets, within this framework, limits on bank basis were also Foreign Exchange and Banknotes Markets, which were determined based on banks, were increased from 20 percent to 30 of the transaction limits.

With the regulation dated 04.05.2020, The CBRT's total swap position limit to be created through Turkish Lira Currency Swap auctions has been increased from 30 percent to 40 percent of the Foreign Exchange and Banknotes Markets transaction limits.

#### **Other Information About the Bank and Its Activities**

There are no lawsuits filed against the Bank that could affect the Bank's financial status and activities.

# Risk Management

**We focus on risk management, which is among our material topics, in accordance with legal regulations, international regulations, and standards.**



Along with the changing regulations, globalization and technological developments affect the nature of the banking sector's risks, as in the other sectors. Therefore, adapting to the risk environment that changes faster than ever figures a vital role in long-term sustainable growth. Accordingly, we see risk management, one of the building blocks for the follow-up of banking sector activities, as an important tool to adapt to constantly changing environments.

We handle risk management, which is among our material topics, under legal regulations, international regulations, and standards. We manage risk management and internal control processes through the Board of Auditors, Internal Control, Risk Management, and Compliance and Regulation Departments, which the duties and responsibilities are determined under the regulations of the Banking Regulation and Supervision Agency (BRSA) and working in harmony, under the supervision and control of the Audit Committee.

The primary responsibility in the risk management is under the Risk Management Department, and IT Compliance Department is assigned in the field of risks from Information Technologies (IT). We also have Market Risk Management Committee, Credit Risk Management Committee, and Operational Risk Management Committee.

By improving the risk culture throughout the corporation in parallel with the changing operating environment and risk perception, we identified the risks as follows by weighing the materiality principle to contribute to the realization of the mission and vision of our Bank and to ensure its existence healthily, practicing the best risk management practices accepted nationally and internationally.

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Counterparty Credit Risk
- Interest Rate Risk Arising From Banking Accounts
- Residual Risk, Concentration Risk, Sovereign Risk, Reputation Risk, Earthquake Risk

Policies define these risks, and we carry out monitoring, measuring, and reporting activities within this framework. We perform risk calculations on financial statement projections in line with the methods specified for risk types.

In line with these risks, we also conduct various sensitivity analyzes, internal scenario analyzes, stress tests, and related studies to recognize the risks in more detail.

In our bank, we conduct stress tests on portfolios and activities, on a solo and consolidated basis, at the particular and universal levels. We establish specific stress test applications with sensitivity and scenario analyzes particular to a portfolio of activity and universal stress test applications in a way that enables the Bank's risks to be seen in an integrated perspective. Relations between risks are taken into account by the correlation effect, and connections between portfolios are considered with the diversification effect. Depending on their characteristics, risks subject to stress testing are applied daily, weekly, monthly, or annually.

Sensitivity analysis subjects the said risk factor to stress to measure the Bank's sensitivity to a risk factor. The risk factor can be one or more. Risk factors can consist of general macroeconomic indicators as well as internal indicators specific to our Bank. Risk factor shocks that can be exemplified as changes in the general level of interest rates, shifts in the probability of default, decrease in the creditworthiness of counterparties with which our Bank operates, adverse changes in liquid asset values, legislative changes that may affect operations, significant volatility in financial markets, operational loss conditions, increase in activity concentrations are applied to specific portfolios and activities by one or more of them.

Moreover, we present our determinations and suggestions to the Senior Management by conducting studies on establishing the infrastructure for managing reputational risk, ensuring the strengthening of inadequate and incomplete controls through Impact Analysis studies in which business processes are analyzed. According to the Risk Rating Scale, we determine the risk level by weighing the effects of the risks that are likely to occur under the headings of financial loss, legal liability, customer satisfaction, and reputation. We monitor the implementation of the Audit Committee's decisions and the Board of Directors regarding the previous work results. Additionally, we consider the reputational risk in the "Support Service Risk Analysis Reports" prepared for the support services to be received and the evaluations of new products/services/projects to be implemented in our Bank.

In addition to these, we have established the Corporate Risk Management Procedure to coordinate and ensure the effectiveness of the procedures and activities set within the framework of the Quality and Environmental Management System to evaluate the internal and external risks that our Bank may encounter and to take necessary measures, as well as to identify the opportunities that may occur with the conjuncture and to provide the awareness required in the whole organization.

In the COVID -19 process, our Risk Management Department prepared the COVID-19 Risk Bulletin and shared it with the senior management of the most critical development in terms of risk management of 2020. The COVID-19 pandemic is expected to affect which risk categories and how it is anticipated through the relevant bulletin. Recommendations were made regarding the measures that can be implemented. Further, the scenario weights used in TFRS 9 provision calculations were revised, increasing the pessimistic scenario's effectiveness.

#### **Risk Management Policies Applied by Risk Type**

Risk management activities continued in 2020 in line with the Bank's risk management policies prepared as per national legislation and international practices and approved by the Board of Directors of the Bank.

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

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

In 2020, efforts continued to follow up and monitor national and international regulations regarding risk management & capital adequacy, and relevant developments. In line with economic developments and expectations, daily scenario analyses on the capital adequacy ratio and monitoring and analysis activities for the standard ratio of interest rate risks arising from banking accounts and the liquidity coverage ratio were also carried out in 2020. The stress test reports issued at the end of each month covering all risk factors were regularly reported to the Bank's top management.

An "Internal Capital Adequacy Assessment Process (ICAAP) Report" was issued and submitted to the Banking Regulation and Supervision Agency in 2020, pursuant to the Regulation on Bank's Internal Systems and Internal Capital Adequacy Assessment Process and "Good Practice Manuals."

The "Risk Appetite Statement" was updated in 2020, which determines the level of risk that the Bank is ready to take based on the risk capacity the Bank is anticipated to bear at a safe level to realize the Bank's objectives and strategies. The Bank, in addition to the capital adequacy ratios, has determined Risk Appetite Levels for the first structural block risks (Credit Risk, Market Risk, Operational Risk, Counterparty Credit Risk) and second structural block risks (Interest Rate Risk in the Banking Book, Liquidity Risk, Concentration Risk, and Other Risks) as determined by the BRSA in line with Basel regulations. The capital-based in the Risk Appetite Statement, liquidity and risk concentrations established in the statement and risk-based limits are regularly monitored.

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

Within the scope of operational risk management, data on operational losses are collected, including subsidiaries and affiliates, to make a consolidated analysis. Operational Risk Analysis reports, which include breakdown and evolution of data regarding losses, continued to be prepared and shared with the Senior Management. Furthermore, impact analysis activities for banking business processes were completed in 2020.

#### **Market Risk**

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

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

Moreover, VaR (Value at Risk) calculations are made on a daily basis and reported accordingly. "Value at Risk" is calculated through a unilateral 99% confidence interval daily using historical simulation and Monte Carlo simulation. Daily tests are made retrospectively (backtesting) to test the reliability and performance of the model results. Furthermore, scenario analysis and stress tests supportive of the standard method and internal models are performed.

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

## Risk Yönetimi

### Interest Rate Risk

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

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

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

### Liquidity Risk

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

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

The Bank manages its liquidity risk as per the Liquidity Contingency Plan, which the Board approves of Directors. The Bank monitors and addresses liquidity requirements within the specified action plans framework and analyses existing and potential liquidity gaps.

### Operational Risk

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

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

The 2020 "Impact Analysis" performed to analyze business processes, identify inadequate controls, and take necessary measures, covering the Head Office's business departments was completed. Symptom monitoring efforts and assessment of updated and newly established processes as part of the "Impact Analysis" are ongoing.

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

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

### Reputation Risk

The Bank manages reputation risk, which is defined as the possibility of loss-making of the Bank due to the negative trust of the Bank, or fall into disrepute as a result of the negative opinions of the parties such as existing or potential customers, partners, competitors and supervisors about the Bank or failure to comply with the current legal regulations, in the scope of "Reputation Risk Management Policy Document."

The "Reputation Risk Policy Document" provides guidance in determining policies regarding the identification, evaluation, control, monitoring, reporting, and management of the reputation risk that may arise from the Bank's operations, practices, partners, and employees.

For the measurement and management of reputation risk, which is an abstract concept, the Bank has determined the reputation risk sources and manages the reputation risk through qualitative evaluations conducted within these criteria' framework.

### Credit Risk

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

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

In 2020, to reduce the possible damages of COVID-19 pandemic cases on the national economy, the regulations made by the BRSA regarding the classification criteria of loans tables on the results of the studies concerning the Bank's effects on Basket-2 and Basket-3 portfolios, provision figures, and NPL ratios and the distribution of commercial cash risks in close monitoring by sectors were included in the monthly Credit Risk Reports submitted to the Bank's Top Management.

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

The ultimate aim of the Bank is to use credit risk internal methods in line with Basel III regulations and international best practices. Within this scope, "Internal Rating Based Approach" (IRB) activities are carried out within the Bank. As part of IRB activities, the Credit Risk Control Department and the Head Office for Assessment and Rating work to update the existing credit rating models and develop new models. Policies and procedures are updated by following a risk-based approach during IRB efforts. Furthermore, as it is crucial to use consistent credit rating models with a high-reliability level within the scope of TFRS 9, the Credit Risk Control Department periodically analyzes the models' outcomes and reports them to the Bank's senior management.

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

### **Sovereign Risk**

Sovereign risk is described as the probability of loss that the Bank, which held the direct and/or indirect, risk of the borrowers in the said country in its portfolio, as a result of the failure of borrowers (central government, corporate or other) in a foreign country due to events or uncertainties affecting the economic, social and political conditions.

The Bank manages sovereign risk within the scope of the "Country Risk Management Policy Document" and has defined indirect sovereign risk, central management risk, contagion risk, macroeconomic risk, indirect foreign exchange risk, and transfer risk as to the main components of the sovereign risk.

Within the framework of the risk appetite, sovereign risk concentration limits have been established. The reports showing the limit compliance level and the measurement results are shared with the senior management with monthly reports and the Credit Risk Swap (CDS) premium analysis of the countries. Besides, within the scope of monthly stress tests, sensitivity analyses are carried out regarding the country's risk. The results are shared with the senior management.

### **Counterparty Credit Risk**

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

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

### **Concentration Risk**

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

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

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

### **Other Risks**

The Bank has defined Model Risk and Residual Risk as other essential risk factors depending on the current risk profile, operating environment, regulatory or economic environment.

Model risk is the possibility of the Bank's loss because models used in the risk measurement or valuation of financial products cannot adequately and accurately reflect the Bank's risks "Model Risk Management Policy Document" was created by the Bank to reveal the principles and approaches that will form the basis for the model risk management process and to contribute to the sustainability of the risk management activities in the Bank.

Model risk management is a process that starts with the development, implementation, and usage of a secure model and continues with the validation of the model through determined a clear framework regarding the boundaries, constraints, and assumptions of the model.

Bank's Residual Risk is determined as "The remaining level of risk after risk management actions and control practices carried out for risk reduction." in "Operational Risk Management Policy Document" and as "Risks arising from the fact that the credit risk reduction techniques used are not as effective as expected" in "Credit Risk Management Policy Document."

Residual Risks are considered within the scope of "Impact Analysis" studies to ensure operational risks are taken under control by analyzing business processes at the Bank, determining ineffective, inadequate management, and taking necessary measures.

### **Earthquake Risk**

Earthquake Risk is defined as the probability of damage caused by the damage to physical assets and human resources of the Bank due to a potential earthquake and the loss of income due to possible service interruptions after the earthquake.

The intensity and time of earthquakes cannot be determined precisely in advance since they are natural events requiring advanced scientific measurements or are based on a mechanism that is not yet determined by existing scientific possibilities. Thus, the Bank has identified the risk sources in analyzing and managing earthquake risk and manages the earthquake risk through qualitative evaluations performed within these criteria' framework.

## Code of Ethics

### Our good ethical banking practices are based on the trustworthy banking perception we have created with our stakeholders.

Our good practices in ethical banking are at the core of the confidential banking perception we have created with our stakeholders. Accordingly, in our activities, we act in compliance with the Corporate Governance Principles and in accordance with the Principles of Banking Ethics established by the Banks Association of Turkey to regulate the banks' all relations with the stakeholders' ecosystem.

In 2019, we published the Regulation on Ethical Principles and Ethics Commission's Working Procedures and Principles to establish and develop an ethical culture in our bank, apply ethical principles efficiently, and increase ethical awareness. In 2020, we created our Ethical Principles Policy. We continue to work on public access to these documents accessible to all our employees through our in-house portal. Our Ethics Committee held one meeting in 2020.

We have an e-mail address, "ethics@vakifbank.com.tr," where our employees and the public can submit their complaints in case of any situation contrary to the Ethical Principles. We carry out the process regarding the notifications made to the e-mail in question confidentially. We do not make any difference in the transactions made regarding the anonymous applications. We evaluate the reports objectively and impartially. As a result of the investigation, we ensure that the necessary measures are taken by including the related parties subject to violations. We take care to carefully evaluate and resolve all notifications submitted as soon as possible. Additionally, we do not approve of any retaliatory action that people who report to our Ethics Hotline will be faced with these reports.

All our employees can access the Banking Ethical Principles on our corporate website and the Bank information system screen on our corporate network. As part of the orientation, we provide our newly recruited employees with training on our Banking Ethical Principles. We offer this training optionally to all our other employees. In 2020, we provided 2,940 hours of in-class and 750 hours of online training on ethics.

In addition to **our employees, our customers can also convey their complaints and notifications on ethical issues through the Contact Us (Sorun Çözelim) and Ethics Hotline section on our Bank's corporate website, our call center, our internet and mobile applications, our branches, and our Headquarters contact address.**

Within the framework of our ethical and transparent banking approach, we require our suppliers and business partners to comply with BRSA regulations and Bank policies, and we expect all agreements we make to abide by our policies.

To see our policy regarding the Ethical Principles: <https://www.vakifbank.com.tr/Default.aspx?pageID=2794>

# Compliance and Audit

## We carry out our activities in accordance with legal legislation and the goals, policies, and strategies set by senior management.

Our Internal Control Department, which operates under the supervision and control of the Audit Committee, is responsible for carrying out operational transactions regarding the execution of the Bank's activities, Bank's communication channels and information systems, financial reporting systems, and the controls for the implementation of business processes to ensure the reliability and integrity of our system, and timely availability of the information. Thus, we aim to ensure that our activities are carried out in accordance with legal legislation and the goals, policies, and strategies set by senior management and to provide controls of risky transactions at the Bank.

We carry out internal control activities in all domestic and international branches of the Bank, Head Office units, and subsidiaries subject to consolidation, with a risk-oriented perspective within the framework of Article 30 of the Banking Law titled "Internal Control System," "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" published by the BRSA and other legal regulations of the Banking Law. We share the findings and suggestions determined within the scope of internal control activities that we conduct locally and centrally with the relevant parties through reports and follow their actions. Additionally, we carry out Information Technology controls to assure that information systems activities are carried out securely and within the Bank's rules.

Our Internal Control Department controls the functional separation of duties and the sharing of powers and responsibilities to define, measure, and prevent our Bank's risks. Evaluating the compliance of the projects, procedures, and processes created by the Bank's business units with the internal policies and rules of the Bank and assess the possible risks they bear, express their opinions in a way to reduce and manage the risks, determine the control points, increase the effectiveness of control activities, establish and

improve the auto-control and systemic control mechanisms in processes and procedures and ensures that operational risks are reduced.

Detailed information on Internal Audit can be found in the Assessments of the Internal Systems and 2020 Operations section of our report.

### Prevention of Laundering of Criminal Proceeds and Terrorism Financing

Fighting against laundering proceeds of crime and financing of terrorism, and preventing the use of the financial system by criminals are among the main areas we focus on within the scope of ethical banking. We take the necessary precautions to prevent the use of the products and services offered by our bank and our subsidiaries for laundering proceeds of crime and financing of terrorism.

We prepared a compliance program to cover risk management, monitoring, control, and training activities to ensure an effective fight against money laundering and financing of terrorism and to prevent the use of the financial system by criminals under the "Law on Prevention of Laundering of Criminal" numbered 5549, "Law on Prevention of Financing of Terrorism" and related regulations. These activities are carried out by the Compliance Department, under the Compliance Officer.

We act in accordance with national and international regulations and rules through the Policy Document and Implementation Principles on the Prevention of Laundering Proceeds of Crime and Financing of Terrorism (MASAK Compliance Policy) through the policies, procedures, and control methods established in our Bank.

We carry out the activities to ensure the necessary compliance with the legal obligations within the scope of Prevention of Laundering Proceeds of Crime and Financing of Terrorism and the international rules, principles, and principles

on the same subject through our Compliance and Regulation Department. Our Compliance Department, under the Presidency, maintains assessment of customers, transactions, and services with a risk-based approach, informing employees about the fight against proceeds of crime and their legal and administrative obligations. The Bank's internal audit and training activities to eliminate risks in this regard.

We provide in-class and e-learning training to our newly recruited employees on the Prevention of Laundering Proceeds of Crime and Financing of Terrorism within the Orientation and Basic Training Program scope. We also organize in-class and e-learning trainings for our current employees.

In 2020, the Obligation Audits conducted annually by MASAK regarding Prevention of Laundering of Criminal Proceeds and Financing of Terrorism were concluded positively. There are no penalties or sanctions for our Bank.

You can access our Bank's Policy on Prevention of Laundering of Criminal Proceeds and Financing of Terrorism at <https://www.vakifbank.com.tr/Default.aspx?pageID=2784>

Every year, we regularly provide in-class and e-learning training on "Prevention of Laundering of Proceeds of Crime and Financing of Terrorism" to our Bank employees. We have assigned the following trainings under the heading of Fraud and Fraud in Banking to all our employees:

- 16 e-learning trainings provided by the Secure Banking Department
- 6 e-learning training organized by the Banks Association of Turkey
- 2 e-learning trainings organized by the Board of Inspectors

## Anti-Bribery and Corruption

### We adopt a zero-tolerance policy within the scope of our Anti-Bribery and Anti-Corruption Policy, which forms an integral part of our Bank's legislation.

Within the scope of our Anti-Bribery and Anti-Corruption Policy, which forms an integral part of our Bank's legislation, we aim to comply with ethical principles and international standards in addition to the legal legislation valid in all countries where we operate. We adopt a zero-tolerance policy in this regard. Our Board of Directors' responsibility is to approve, implement, and update our Anti-Bribery and Anti-Corruption Policy, including managers, our subsidiaries and affiliates and their employees; companies, business partners, and their employees which we receive external services.

Our employees are obliged to directly report the persons and institutions that act against the policy rules or any situation that violates these rules to the Audit Board. In order to ensure that the employee making the report is not harmed, we keep all notifications confidential and terminate our work with institutions that act against our Anti-Bribery and Anti-Corruption Policy. Our employees can easily access our Audit Board-Notification Page and e-mail addresses, which we use for notifications. We also make reminder announcements about these communication channels throughout the year. In 2020, there are no notifications regarding the fight against corruption and bribery among the notifications conveyed through ethical channels.

We offer 25 e-learning trainings to our employees within the scope of combating corruption. Our employees participated in this training 17,163 times in total in 2020. We also provided 980 hours of in-class training on Anti-Bribery and Anti-Corruption.

In the event that the anti-bribery policy is violated in various ways, we impose sanctions under the Personnel Regulation and the 24<sup>th</sup> Term Collective Labor Agreement. In cases against the policy, our Inspection Board investigates the issue, and necessary sanctions are applied following the legislation to detect behaviors that do not comply with the legislation. In case of violation of the Anti-Bribery and Anti-Corruption Policy, disciplinary penalties that may lead to the termination of the employment contract, depending on the nature of the incident, come to the fore. Additionally, there may be criminal liability for those who do not comply with the relevant legislation. In 2020, no corruption cases were detected within our bank. Our employees have no public lawsuits regarding corruption.

Within the scope of the evaluation of the Anti-Bribery Policy and/or systems, we obtain opinions from all unit managers through a survey method to assess the operational risk through the risk assessment studies conducted annually by the Board of Inspectors. In Banking Process Audits and Assessment of Internal Control System activities, we also grade audit centers' internal control environments. We present all our work to the Audit Committee and the Board of Directors in the Audit Board's Annual Report. Additionally, we assess and report corruption-related risks in terms of business lines, risk causes, and risk types by analyzing and grouping other risks with the number of incidents and risk amount.

You can access our Anti-Bribery and Anti-Corruption Policy on our website at <https://www.vakifbank.com.tr/Default.aspx?pageID=2783>

# Sustainability Management

## Integration and management of sustainability into business processes is under the responsibility of the Corporate Governance Committee.

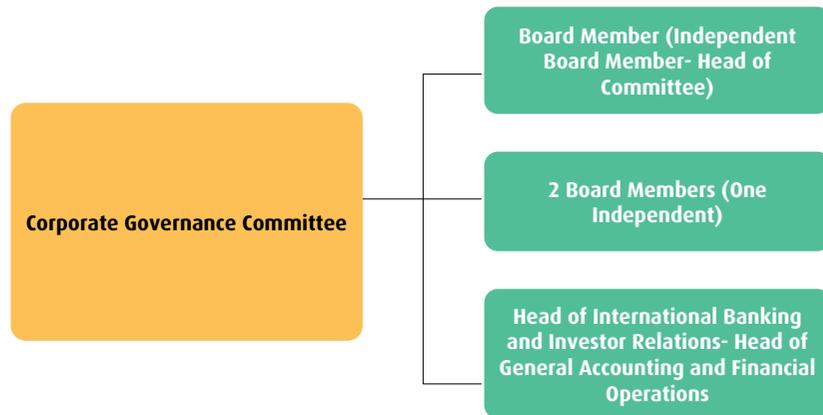
The responsibility for the integration and management of sustainability into decision-making processes lies within the Corporate Governance Committee, which is a high decision-making and responsible authority at our Bank.

Our operations under the guidance of our Committee are carried out by the Sustainability Working Group, which is affiliated with our Committee. The presidency in the Sustainability Working Group is officiated by SVP of International Banking and Investor Relations Department. The Group is responsible for establishing sustainability strategies and policies in economic, social and environmental fields, as well as integrating these strategies and policies into the Bank's operations and monitoring performance.

We support our Committee with the activities of Sustainability Service within the body of Investor Relations Department and Environmental Management Services within the body of Support Services Department.

We carry out the coordination and follow-up of the objectives for reducing the direct environmental impacts of our Bank, and the Carbon Disclosure Project (CDP) reporting activities through the Environmental Management Services.

You can reach more information about Governance Structure of Sustainability from our web site: <https://www.vakifbank.com.tr/governancestructure.aspx?pageID=2736>



<b>Sustainability Working Group</b>	SVP-International Banking and Investor Relations (Head of Sustainability Working Group)
	SVP- Support Services
	SVP- Corporate Communications
	Manager- Investor Relations (Secretariat)
	Manager- Logistics Management
	Manager- Credit Risk and Operational Risk Management
	Manager- Construction Affairs
	Manager- Recruitment and Employee Operations
	Manager- Employee Relations and Discipline
	Manager- Corporate Development
	Manager- Corporate Training
	Manager- Specialized Loans Project Development and Analysis
	Manager- Investment Loans Project Development and Analysis
	Manager- SME Banking Products Development and Management
	Manager- Strategy Development and Planning
	Manager- Internal Communication
	Manager- Public Relations and Media

**Sustainability Service  
(Investor Relations)**

**Environmental Management Service  
(Support Services)**

# Compliance Opinions



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

## 1. Qualified Opinion

We have audited the annual report of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and consolidated subsidiaries of it for the accounting period of 1 January 2020 - 31 December 2020.

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

## 2. Basis for Qualified Opinion

As expressed in Basis for Qualified Opinion section of our auditor's reports dated 9 February 2021 and 18 February 2021 on the full set unconsolidated and consolidated financial statements for the period between 1 January 2020 - 31 December 2020; free provision amounting to TL 1,072,000 thousand which consist of TL 852,000 thousand provided in prior years and TL 220,000 thousand recognized in the current year by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying unconsolidated and consolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is the TL 1,072,000 thousand as at 31 December 2020.

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

## 3. Our Audit Opinion on the Full Set Unconsolidated and Consolidated Financial Statements

We expressed a qualified opinion in the auditor's reports dated 9 February 2021 and 18 February 2021 respectively, on the full set unconsolidated and consolidated financial statements for the 1 January 2020 - 31 December 2020 period.



#### 4. Board of Director's Responsibility for the Annual Report

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

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report, financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
  - events of particular importance that occurred in the Bank after the operating year,
  - the Bank's research and development activities,
  - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

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

#### 5. Independent Auditor's Responsibility in the Audit of the Annual Report

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

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

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

**Haluk Yalçın**, SMMM  
Partner

Istanbul, 3 March 2021

# Compliance Opinions



## Limited Assurance Report to the Board of Directors of Türkiye Vakıflar Bankası T.A.O,

We have been engaged by the Board of Directors of Türkiye Vakıflar Bankası T.A.O. (the "Bank") to perform an independent limited assurance engagement in respect of the Selected Sustainability Information ("Selected Information") stated in the Türkiye Vakıflar Bankası T.A.O. Integrated Annual Report ("the 2020 Integrated Annual Report") for the year ended 31 December 2020 and listed below.

### Selected Information

The scope of the Selected Information for the year ended 31 December 2020, which is subject to our independent limited assurance work and reported with the sign ✓ in pages 51, 63, 75, 102, 106, 112, 115, 119, 502, 503, 504, 505 of the 2020 Integrated Annual Report is summarised below:

- Total Loans Amount Extended to SMEs
- Number of Renewable Energy Projects Financed by the Bank and the Amount of Financing Provided
- Increase in the number of Digital Banking Customers
- Ratio of Female Employees
- Number of Employees in Managing Bodies (Manager and Higher Level)
- Ratio of Female Employees that Returned to Work After Parental Leave
- Filling Rate of Top Positions with Internal Promotion
- Employee Turnover Rate
- Number of Disabled Employees
- Average Training Hours per Employee
- Total Training Hours
- Ratio of Online Trainings in Total Trainings
- Occupational Health and Safety
- Energy Consumption (GJ)
  - Electricity consumption (kWh)
  - Natural gas consumption (m3)
  - Lignite (kg)
  - Diesel (l)
  - Heating Oil (l)
  - Gasoline (l)
- Other Environmental Performance Data
  - Water consumption (m<sup>3</sup>)
  - Paper consumption (ton)
  - Recycled paper (ton)
- Carbon Emissions (ton CO<sub>2</sub>-e)
  - Scope 1
  - Scope 2
  - Scope 3
  - Scope 1 and 2 emissions per m<sup>2</sup> (kg CO<sub>2</sub>-e/m<sup>2</sup>)

Our assurance was with respect to the year ended 31 December 2020 information only and we have not performed any procedures with respect to earlier periods or any other elements in the 2020 Integrated Annual Report that is not marked with the sign ✓, therefore, do not express any conclusion thereon.

### Criteria

The criteria used by the Bank to prepare the Selected Information is set out on pages 506-510 of the Türkiye Vakıflar Bankası 2020 Integrated Annual Report - Reporting Guidance' (the 'Reporting Guidance').

### The Bank's Responsibility

The Bank is responsible for the content of the 2020 Integrated Annual Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.



### Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the calculations related to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information', and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Made inquiries of the persons responsible and the Bank's management for the Selected Information;
- Understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- Evaluated the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- Performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Bank; and
- Undertook analytical procedures over the reported data.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Bank's Selected Information for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Bank as a body, to assist the Board of Directors in reporting Türkiye Vakıflar Bankası T.A.O.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the 2020 Integrated Annual Report for the year ended 31 December 2020, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Türkiye Vakıflar Bankası T.A.O. as a body and the Türkiye Vakıflar Bankası T.A.O. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

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

**Ediz Günsel**, SMMM  
Partner

Istanbul, 3 March 2021



**TÜRKİYE VAKIFLAR BANKASI**  
**TÜRK ANONİM ORTAKLIĞI**  
**UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AND RELATED DISCLOSURES AT DECEMBER 31, 2020**  
**TOGETHER WITH INDEPENDENT AUDITORS' REPORT**  
(Convenience Translation of Publicly Announced Unconsolidated  
Financial Statements and Independent Auditors' Report Originally  
Issued in Turkish, See in Note I. of Section Three)





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

**INDEPENDENT AUDITOR'S REPORT**

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

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

**1. Qualified Opinion**

We have audited the accompanying unconsolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2020, unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, except for the effects of the matter on the unconsolidated financial statements described in the Basis for Qualified Opinion section below, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

**2. Basis for Qualified Opinion**

As explained in Section Five Part II-7 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements as of 31 December 2020 include a free provision amounting to TL 1,072,000 thousand which consist of TL 852,000 thousand provided in prior years and TL 220,000 thousand recognized in the current year by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying unconsolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is the TL 1,072,000 thousand as at 31 December 2020.

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



### 3. Key Audit Matters

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

Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><b><i>Expected Credit Loss in Accordance with TFRS 9 “Financial Instruments Standard”</i></b></p> <p>The Bank has total expected credit losses of TL 21,587,738 thousand in respect to loans of TL 439,487,416 thousand which represent a significant portion of the Bank’s total assets in its unconsolidated financial statements as at 31 December 2020. Explanations and notes related to provision for impairment of loans are presented Section III Part VII, Section III Part VIII, Section IV Part II, Section IV Part XI-2, Section V Part I-5 and Section V Part II-7 in the accompanying unconsolidated financial statements as at 31 December 2020.</p> <p>The Bank recognizes provision for impairment in accordance with “TFRS 9 Financial Instruments” requirements in line with the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Bank determines staging of loan in accordance with applicable regulation and identifying significant increase in credit risk with quantitative and qualitative assessments and default event disclosed in Section Three Part VIII in the accompanying unconsolidated financial statements. As of 31 December 2020, the impacts of COVID-19 global pandemic have increased the importance of the estimations and assumptions used by the Bank management in determination of the expected credit loan loss provision. The uncertainties arising from these impacts have been evaluated by the management in their judgements and estimations.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses in accordance with the applicable regulations considering also the impacts of COVID-19, we have assessed policy, procedure and management principles of the Bank within the scope of our audit. We assessed the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p>Within the framework of the policies and procedures applied by the Bank, together with our financial risk experts, we have checked and assessed the appropriateness of the methods used in the model developed for staging of loans and calculation of expected credit losses in accordance with TFRS 9. For forward looking assumptions (including macro-economic factors) made by the Bank’s management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information that includes the impacts of COVID-19. We have tested model calculations through re-performance together with our modelling specialists on a sample selection basis.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="277 506 873 597"><b><i>Expected Credit Loss in Accordance with TFRS 9 “Financial Instruments Standard” (“TFRS 9”) (Continued)</i></b></p> <p data-bbox="277 636 873 857">The Bank uses complex models, that requires data to be derived from multiple systems for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.</p> <p data-bbox="277 895 873 1336">Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p data-bbox="904 506 1390 566">Our audit processes also include the following procedures:</p> <ul data-bbox="904 604 1495 1853" style="list-style-type: none"> <li data-bbox="904 604 1495 761">• Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used.</li> <li data-bbox="904 761 1495 983">• The basic and important estimates and the assumptions related to macroeconomic variables, significant increase in credit risk in the calculation of expected credit losses, default definition, probability of default and loss given default were assessed and tested with the help of our financial risk experts.</li> <li data-bbox="904 983 1495 1204">• For a selected sample, we have checked expected credit losses determined based on individual assessment per Bank’s policy by means of supporting data and evaluated via inquiries with management appropriateness of the estimations and judgements made including areas affected by the uncertainties caused by COVID-19 .</li> <li data-bbox="904 1204 1495 1425">• We checked sources for data used in expected credit losses calculations. We assessed reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. We checked the accuracy of resultant expected credit loss calculations on a sample basis.</li> <li data-bbox="904 1425 1495 1498">• We checked accuracy of resultant expected credit losses calculations on a sample basis.</li> <li data-bbox="904 1498 1495 1719">• To assess appropriateness of the Bank’s determination of staging for credit risk in accordance with applicable regulation, identification of impairment and timely and appropriate provisioning for impairment under TFRS 9, we have performed loan review procedures based on a selected sample.</li> <li data-bbox="904 1719 1495 1853">• We assessed accuracy and completeness of the disclosures with respect to loan and related expected credit losses presented in the financial statements of the Bank.</li> </ul>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><b>Valuation of Pension Fund Obligations</b></p> <p>Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying unconsolidated financial statements as at 31 December 2020.</p> <p>“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The president of republic is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Bank’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p>During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p>Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets on a sample basis.</p> <p>We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p>Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p>In addition to the above procedures, we have reviewed disclosures made with respect to pension funds in the unconsolidated financial statements.</p>



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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

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

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

Halûk Yalçın, SMMM  
Partner

Istanbul, 9 February 2021

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED FINANCIAL REPORT  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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Telephone : 0216 724 10 00  
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Electronic web site : [www.vakifbank.com.tr](http://www.vakifbank.com.tr)  
Electronic mail address : [mevzuat@vakifbank.com.tr](mailto:mevzuat@vakifbank.com.tr)

The unconsolidated financial report as at and for the year ended December 31, 2020, prepared in accordance with the “Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

February 9, 2021

Abdülkadir AKSU  
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:

Name-Surname/Title : Burcu SÜTCÜ AKDAĞ / Manager	Name-Surname/Title : İrem COŞKUN / Asst. Manager
Phone no : 0 216 724 31 35	Phone no : 0 216 724 31 40
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)**

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

As at December 31, 2020, the Bank’s paid-in capital is TL 3,905,622 TL (December 31, 2019: TL 2,500,000) divided into 390,562,248,996 shares with each has a nominal value of Kr 1.(December 31, 2019: TL 250,000,000,000).

The Bank’s shareholders structure as at December 31, 2020 and December 31, 2019 are as stated below:

<b>Shareholders - December 31, 2020</b>	<b>Number of Shares – 100 unit</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
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
<b>Total</b>	<b>3,905,622,490</b>	<b>3,905,622</b>	<b>100.00</b>

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

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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 ("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 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.

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

**GENERAL INFORMATION (Continued)**

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

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
<b>Board of Directors</b>				
Abdülkadir AKSU	Chairman	May 27, 2019	Bachelor's	1 years
Dr.Cemil Ragıp ERTEM	Member – Deputy Chairman	June 12, 2020	PhD	22 years
Abdi Serdar ÜSTÜNSALİH	Member- General Manager	May 27, 2019	Master's	29 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	32 years
Dilek YÜKSEL	Member	March 29, 2016	Bachelor's	10 years
Şahin UĞUR	Member	June 9 2017	Bachelor's	34 years
Serdar TUNÇBİLEK	Member	June 9 2017	Bachelor's	34 years
Sadık YAKUT	Member	May 27, 2019	Bachelor's	1 years
Hamza YERLİKAYA	Member	June 12, 2020	Master's	-
<b>Audit Committee</b>				
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor's	34 years
Dilek YÜKSEL	Member	June 12, 2020	Bachelor's	10 years
<b>Auditor</b>				
Hasan TÜRE	Auditor	June 9, 2017	Bachelor's	36 years
Mehmet Emin BAYSA	Auditor	June 12, 2020	Master's	1 years
<b>Assistant General Managers</b>				
Metin Recep ZAFER	R&D and Business Intelligence Application Development, Basic Banking Application Development, Channel Management and Payment Systems App. Development, System Management, IT System and Application Support, IT Planning and Coordination, Treasury Operations, Foreign Operations, Banking Operations, Credit, Customer and Account Operations	June 13, 2006	PhD	25 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	Bachelor's	25 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor's	24 years
Mikail HIDİR	Credit Risk Planning and Monitoring Evaluation and Rating, Credit Risk Liquidation, Legal Affairs	December 26, 2018	Bachelor's	17 years
Hazım AKYOL	Corporate Banking Marketing, Commercial Banking Marketing, Corporate Branches Cash Management Product Development and Foreign Trade Marketing	May 31, 2019	Bachelor's	27 years
Alaattin ŞİMŞEK	Corporate Loans Allocation and Management SME and Retail Loans Allocation, Commercial Loans Allocation, Application of Credit Policies and Processes 1-2, Specific Loans Management	May 31, 2019	Bachelor's	25 years
Ferkan MERDAN	Payment Systems, Digital Banking and Distribution Channels, Corporate Communication 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	25 years
Kadir KARATAŞ	Human Resources, Corporate Development and Academy	August 13, 2020	Bachelor's	24 years

The persons listed in the table above do not have any interest in the non-public part of the Bank.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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

**GENERAL INFORMATION (Continued)**

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

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

The decisions taken at the 66th Ordinary General Assembly Meeting of the Bank held on June 12, 2020 regarding the renewal of the Members of the Board of Directors are as follows; It was resolved by majority of votes to appoint Mr. Hamza Yerlikaya as Independent Board Member to replace Mr. Şahap Kavcıoğlu representing Group (A) to serve for 3 years and to appoint Mr. Mehmet Emin Baysa to replace Mr. Yunus Arıncı as members of the Supervisory Board for 3 years.

At the Board of Directors Meeting held on 12 June 2020, in accordance with the Related Articles of our Bank's Articles of Association:

- Mr. Abdulkadir Aksu was elected as the Chairman of the Board,
- Mr. Cemil Ragıp 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.

With the decision of the Bank's Board of Directors dated July 8, 2020, Arif ÇOKÇETİN was appointed as the Assistant General Manager.

According to the decision of the Bank's Board of Directors dated August 13, 2020, Deputy General Manager Hüseyin Uğur BİLGİN was retired and Kadir KARATAŞ, Head of Banking Support Services, was appointed as Deputy General Manager.

**IV. INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS**

<b>Shareholders-31 December 2020</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
Türkiye Varlık Fonu (D Grubu)	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	-

<b>Shareholders-31 December 2019</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
TC Hazine ve Maliye Bakanlığı (Group A)	1,075,058	43.00	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-
TC Hazine ve Maliye Bakanlığı (Group B)	387,673	15.51	387,673	-

As of 31 December 2020, shareholder holding control over the Bank is the Republic of Turkey Ministry of Treasury and Finance having 37.45% of the 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.

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

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

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

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

As at December 31, 2020, the Bank has 933 domestic, 3 foreign, in total 936 branches (December 31, 2019: 940 domestic, 3 foreign, in total 943 branches). As at December 31, 2020, the Bank has 16,748 employees (December 31, 2019: 16,835 employees).

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION TWO  
UNCONSOLIDATED  
FINANCIAL STATEMENTS**

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT DECEMBER 31, 2020**

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

ASSETS	Notes	Current Period December 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>53,167,158</b>	<b>139,285,845</b>	<b>192,453,003</b>	<b>23,795,849</b>	<b>49,054,453</b>	<b>72,850,302</b>
<b>1.1 Cash and cash equivalents</b>	<b>V-I-1</b>	<b>14,847,059</b>	<b>81,111,670</b>	<b>95,958,729</b>	<b>2,378,543</b>	<b>39,968,746</b>	<b>42,347,289</b>
1.1.1 Cash and balances at Central Bank	V-I-1	14,662,009	78,526,777	93,188,786	2,387,760	34,107,460	36,495,220
1.1.2 Banks	V-I-3	26	2,584,893	2,584,919	57	5,861,286	5,861,343
1.1.3 Receivables from Money Markets		187,753	-	187,753	-	-	-
1.1.4 Allowance for expected credit losses (-)	V-I-18	2,729	-	2,729	9,274	-	9,274
<b>1.2 Financial assets at fair value through profit or loss</b>	<b>V-I-2</b>	<b>169,893</b>	<b>7,161,038</b>	<b>7,330,931</b>	<b>169,483</b>	<b>2,129,634</b>	<b>2,299,117</b>
1.2.1 Public debt securities		-	7,000,000	7,000,000	-	2,017,593	2,017,593
1.2.2 Equity instruments		169,482	161,038	330,520	169,483	112,041	281,524
1.2.3 Other financial assets		411	-	411	-	-	-
<b>1.3 Financial assets at fair value through other comprehensive income</b>	<b>V-I-4</b>	<b>31,011,998</b>	<b>49,420,202</b>	<b>80,432,200</b>	<b>17,659,223</b>	<b>6,043,312</b>	<b>23,702,535</b>
1.3.1 Public debt securities		30,422,704	49,416,174	79,838,878	17,089,209	6,039,388	23,128,597
1.3.2 Equity instruments		-	4,028	4,028	-	3,924	3,924
1.3.3 Other financial assets		589,294	-	589,294	570,014	-	570,014
<b>1.4 Derivative financial assets</b>	<b>V-I-2</b>	<b>7,138,208</b>	<b>1,592,935</b>	<b>8,731,143</b>	<b>3,588,600</b>	<b>912,761</b>	<b>4,501,361</b>
1.4.1 Derivative financial assets at fair value through profit or loss		7,138,208	1,592,935	8,731,143	3,588,600	912,761	4,501,361
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>		<b>340,947,234</b>	<b>135,693,100</b>	<b>476,640,334</b>	<b>222,157,099</b>	<b>101,300,068</b>	<b>323,457,167</b>
<b>2.1 Loans</b>	<b>V-I-5</b>	<b>318,277,715</b>	<b>121,209,701</b>	<b>439,487,416</b>	<b>202,764,067</b>	<b>89,326,983</b>	<b>292,091,050</b>
<b>2.2 Receivables from leasing transactions</b>	<b>V-I-10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Financial assets measured at amortised cost</b>	<b>V-I-6</b>	<b>44,218,605</b>	<b>14,528,647</b>	<b>58,747,252</b>	<b>35,004,414</b>	<b>12,010,219</b>	<b>47,014,633</b>
2.4.1 Public debt securities		44,159,655	14,342,399	58,502,054	34,945,546	11,700,580	46,646,126
2.4.2 Other financial assets		58,950	186,248	245,198	58,868	309,639	368,507
<b>2.5 Allowance for expected credit losses (-)</b>		<b>21,549,086</b>	<b>45,248</b>	<b>21,594,334</b>	<b>15,611,382</b>	<b>37,134</b>	<b>15,648,516</b>
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"</b>	<b>V-I-16</b>	<b>1,256,254</b>	<b>-</b>	<b>1,256,254</b>	<b>4,659,610</b>	<b>-</b>	<b>4,659,610</b>
3.1 Held for sale purpose		1,256,254	-	1,256,254	4,659,610	-	4,659,610
3.2 Held from discontinued operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>4,110,226</b>	<b>935,314</b>	<b>5,045,540</b>	<b>2,314,536</b>	<b>486,740</b>	<b>2,801,276</b>
<b>4.1 Investments in associates (Net)</b>	<b>V-I-7</b>	<b>1,394,406</b>	<b>-</b>	<b>1,394,406</b>	<b>1,001,717</b>	<b>-</b>	<b>1,001,717</b>
4.1.1 Associates accounted by using equity method		-	-	-	-	-	-
4.1.2 Non-consolidated associates		1,394,406	-	1,394,406	1,001,717	-	1,001,717
<b>4.2 Investments in subsidiaries (Net)</b>	<b>V-I-8</b>	<b>2,715,820</b>	<b>935,314</b>	<b>3,651,134</b>	<b>1,312,819</b>	<b>486,740</b>	<b>1,799,559</b>
4.2.1 Non-consolidated financial subsidiaries		2,337,548	935,314	3,272,862	990,508	486,740	1,477,248
4.2.2 Non-consolidated non-financial subsidiaries		378,272	-	378,272	322,311	-	322,311
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	<b>V-I-12</b>	<b>4,812,482</b>	<b>13,120</b>	<b>4,825,602</b>	<b>3,008,550</b>	<b>10,110</b>	<b>3,018,660</b>
<b>VI. INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>V-I-13</b>	<b>255,263</b>	<b>-</b>	<b>255,263</b>	<b>221,103</b>	<b>-</b>	<b>221,103</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		255,263	-	255,263	221,103	-	221,103
<b>VII. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	<b>V-I-15</b>	<b>1,125,282</b>	<b>-</b>	<b>1,125,282</b>	<b>747,323</b>	<b>-</b>	<b>747,323</b>
<b>X. OTHER ASSETS</b>	<b>V-I-17</b>	<b>6,740,911</b>	<b>10,554,929</b>	<b>17,295,840</b>	<b>4,277,313</b>	<b>7,392,799</b>	<b>11,670,112</b>
<b>TOTAL ASSETS</b>		<b>412,414,810</b>	<b>286,482,308</b>	<b>698,897,118</b>	<b>261,181,383</b>	<b>158,244,170</b>	<b>419,425,553</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT DECEMBER 31, 2020**

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

LIABILITIES AND EQUITY	Notes	Current Period December 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	V-II-1	215,145,544	198,897,999	414,043,543	143,564,555	107,966,344	251,530,899
<b>II. BORROWINGS</b>	V-II-3	796,230	46,190,568	46,986,798	897,290	40,181,260	41,078,550
<b>III. MONEY MARKET FUNDS</b>		79,728,673	19,322,791	99,051,464	19,777,260	5,169,115	24,946,375
<b>IV. MARKETABLE SECURITIES (Net)</b>	V-II-3	10,451,852	35,061,115	45,512,967	11,587,544	17,588,825	29,176,369
4.1 Bills		5,150,249	2,188,163	7,338,412	6,289,792	-	6,289,792
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		5,301,603	32,872,952	38,174,555	5,297,752	17,588,825	22,886,577
<b>V. FUNDS</b>		3,053	-	3,053	3,053	-	3,053
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,053	-	3,053	3,053	-	3,053
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	V-II-2	4,063,184	2,022,130	6,085,314	2,226,099	1,085,850	3,311,949
7.1 Derivative financial liabilities at fair value through profit or loss		4,063,184	2,022,130	6,085,314	2,226,099	1,085,850	3,311,949
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES</b>	V-II-5	974,793	-	974,793	928,854	-	928,854
<b>X. PROVISIONS</b>	V-II-7	2,960,665	11,742	2,972,407	2,203,931	5,873	2,209,804
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,540,264	-	1,540,264	1,142,042	-	1,142,042
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		1,420,401	11,742	1,432,143	1,061,889	5,873	1,067,762
<b>XI. CURRENT TAX LIABILITIES</b>	V-II-8	898,173	4,329	902,502	1,113,379	3,003	1,116,382
<b>XII. DEFERRED TAX LIABILITIES</b>	V-II-8	-	-	-	-	-	-
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	V-II-9	-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>	V-II-10	6,401,461	13,057,337	19,458,798	6,394,877	12,850,576	19,245,453
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		6,401,461	13,057,337	19,458,798	6,394,877	12,850,576	19,245,453
<b>XV. OTHER LIABILITIES</b>	V-II-4	12,681,408	3,739,413	16,420,821	9,362,274	3,489,318	12,851,592
<b>XVI. SHAREHOLDERS' EQUITY</b>	V-II-11	45,541,699	942,959	46,484,658	32,748,020	278,253	33,026,273
16.1 Paid-in capital	V-II-11	3,905,622	-	3,905,622	2,500,000	-	2,500,000
16.2 Capital reserves		6,552,489	246,990	6,799,479	933,222	180,391	1,113,613
16.2.1 Equity share premiums		6,303,277	-	6,303,277	723,918	-	723,918
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		249,212	246,990	496,202	209,304	180,391	389,695
<b>16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss</b>		3,188,339	(4,066)	3,184,273	2,932,463	(144,550)	2,787,913
<b>16.4 Other accumulated comprehensive income that will be reclassified in profit or loss</b>		229,202	700,035	929,237	627,615	242,412	870,027
<b>16.5 Profit reserves</b>		25,754,720	-	25,754,720	22,952,429	-	22,952,429
16.5.1 Legal reserves		2,742,381	-	2,742,381	2,480,184	-	2,480,184
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		21,210,213	-	21,210,213	19,648,138	-	19,648,138
16.5.4 Other profit reserves		1,802,126	-	1,802,126	824,107	-	824,107
<b>16.6 Profit or loss</b>		5,911,327	-	5,911,327	2,802,291	-	2,802,291
16.6.1 Prior years' profits or losses		900,871	-	900,871	-	-	-
16.6.2 Current period net profit or loss		5,010,456	-	5,010,456	2,802,291	-	2,802,291
<b>16.7 Minority interests</b>		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>379,646,735</b>	<b>319,250,383</b>	<b>698,897,118</b>	<b>230,807,136</b>	<b>188,618,417</b>	<b>419,425,553</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED OFF-BALANCE SHEET ITEMS  
AS AT DECEMBER 31, 2020**

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

	Notes	Current Period December 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>167,330,382</b>	<b>277,152,578</b>	<b>444,482,960</b>	<b>129,917,675</b>	<b>204,655,091</b>	<b>334,572,766</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>V-III-2</b>	<b>43,404,211</b>	<b>57,831,826</b>	<b>101,236,037</b>	<b>37,521,713</b>	<b>39,814,329</b>	<b>77,336,042</b>
1.1. Letters of guarantee	<b>V-III-1</b>	<b>43,145,971</b>	<b>31,937,954</b>	<b>75,083,925</b>	<b>37,372,041</b>	<b>21,552,240</b>	<b>58,924,281</b>
1.1.1. Guarantees subject to State Tender Law		2,594,448	10,005,488	12,599,936	2,904,236	7,080,944	9,985,180
1.1.2. Guarantees given for foreign trade operations		2,335,826	-	2,335,826	1,322,033	-	1,322,033
1.1.3. Other letters of guarantee		38,215,697	21,932,466	60,148,163	33,145,772	14,471,296	47,617,068
1.2. Bank acceptances		<b>4,258</b>	<b>5,111,534</b>	<b>5,115,792</b>	<b>7,842</b>	<b>4,574,992</b>	<b>4,582,834</b>
1.2.1. Import letter of acceptance		-	289,665	289,665	-	220,683	220,683
1.2.2. Other bank acceptances	<b>V-III-4</b>	4,258	4,821,869	4,826,127	7,842	4,354,309	4,362,151
1.3. Letters of credit	<b>V-III-4</b>	<b>253,982</b>	<b>20,667,442</b>	<b>20,921,424</b>	<b>141,830</b>	<b>13,590,815</b>	<b>13,732,645</b>
1.3.1. Documentary letters of credit		253,982	20,667,442	20,921,424	141,830	13,590,815	13,732,645
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Pre-financing given as guarantee		-	<b>5,925</b>	<b>5,925</b>	-	<b>4,736</b>	<b>4,736</b>
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	<b>106,963</b>	<b>106,963</b>	-	<b>49,964</b>	<b>49,964</b>
1.9. Other warranties		-	<b>2,008</b>	<b>2,008</b>	-	<b>41,582</b>	<b>41,582</b>
<b>II. COMMITMENTS</b>		<b>71,111,618</b>	<b>42,045,023</b>	<b>113,156,641</b>	<b>50,016,515</b>	<b>32,356,366</b>	<b>82,372,881</b>
2.1. Irrevocable commitments	<b>V-III-1</b>	<b>61,363,734</b>	<b>6,147,096</b>	<b>67,510,830</b>	<b>42,933,038</b>	<b>5,561,794</b>	<b>48,494,832</b>
2.1.1. Asset purchase and sales commitments	<b>V-III-1</b>	5,695,753	6,147,096	11,842,849	2,407,191	5,561,794	7,968,985
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		3,150	-	3,150	7,500	-	7,500
2.1.4. Loan granting commitments	<b>V-III-1</b>	26,086,273	-	26,086,273	18,076,739	-	18,076,739
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for checks payments	<b>V-III-1</b>	5,723,932	-	5,723,932	3,528,150	-	3,528,150
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits	<b>V-III-1</b>	21,320,698	-	21,320,698	17,293,741	-	17,293,741
2.1.10. Commitments for credit cards and banking services promotions		597,623	-	597,623	484,519	-	484,519
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		1,936,305	-	1,936,305	1,135,198	-	1,135,198
2.2. Revocable commitments		<b>9,747,884</b>	<b>35,897,927</b>	<b>45,645,811</b>	<b>7,083,477</b>	<b>26,794,572</b>	<b>33,878,049</b>
2.2.1. Revocable loan granting commitments		9,747,884	35,897,927	45,645,811	7,083,477	26,794,572	33,878,049
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-5</b>	<b>52,814,553</b>	<b>177,275,729</b>	<b>230,090,282</b>	<b>42,379,447</b>	<b>132,484,396</b>	<b>174,863,843</b>
3.1. Derivative financial instruments held for hedging		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2. Trading transactions		<b>52,814,553</b>	<b>177,275,729</b>	<b>230,090,282</b>	<b>42,379,447</b>	<b>132,484,396</b>	<b>174,863,843</b>
3.2.1. Forward foreign currency purchase and sale transactions		1,523,642	1,550,002	3,073,644	2,320,043	2,217,584	4,537,627
3.2.1.1. Forward foreign currency purchase transactions		864,639	681,888	1,546,527	1,163,458	1,109,150	2,272,608
3.2.2.2. Forward foreign currency sales		659,003	868,114	1,527,117	1,156,585	1,108,434	2,265,019
3.2.2. Currency and interest rate swaps		42,437,528	153,242,062	195,679,590	30,978,513	114,418,040	145,396,553
3.2.2.1. Currency swap purchase transactions		1,681,464	55,734,413	57,415,877	1,781,342	37,631,854	39,413,196
3.2.2.2. Currency swap sale transactions		37,636,064	20,701,337	58,337,401	25,527,171	14,130,170	39,657,341
3.2.2.3. Interest rate swap purchase transactions		1,560,000	38,403,156	39,963,156	1,835,000	31,328,008	33,163,008
3.2.2.4. Interest rate swap sale transactions		1,560,000	38,403,156	39,963,156	1,835,000	31,328,008	33,163,008
3.2.3. Currency, interest rate and security options		247,144	919,172	1,166,316	576,987	759,416	1,336,403
3.2.3.1. Currency purchase options		143,814	430,420	574,234	367,787	294,076	661,863
3.2.3.2. Currency sale options		103,330	488,752	592,082	209,200	465,340	674,540
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 purchases 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	21,378,243	29,788,647	8,503,904	15,089,356	23,593,260
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>3,965,223,799</b>	<b>3,674,944,874</b>	<b>7,640,168,673</b>	<b>2,288,614,670</b>	<b>1,572,574,150</b>	<b>3,861,188,820</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>60,514,803</b>	<b>19,202,256</b>	<b>79,717,059</b>	<b>67,575,728</b>	<b>9,468,191</b>	<b>77,043,919</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Securities held in custody		46,735,132	8,853,001	55,588,133	56,872,721	5,230,911	62,103,632
4.3. Checks received for collection		10,884,832	1,621,141	12,505,973	8,150,422	1,086,651	9,237,073
4.4. Commercial notes received for collection		1,449,460	425,459	1,874,919	1,380,244	300,226	1,680,470
4.5. Other assets received for collection		2,152	298	2,450	2,152	238	2,390
4.6. Securities received for public offering		-	-	-	-	-	-
4.7. Other items under custody		309	2,049,708	2,050,017	309	97,508	97,817
4.8. Custodians		1,442,118	6,252,649	7,694,767	1,169,880	2,752,657	3,922,537
<b>V. PLEDGED ITEMS</b>		<b>775,302,799</b>	<b>312,599,654</b>	<b>1,087,902,453</b>	<b>775,988,471</b>	<b>242,582,316</b>	<b>1,018,570,787</b>
5.1. Marketable securities		321,148	200,660	521,808	299,466	44,434	343,900
5.2. Guarantee notes		1,153,894	4,085,645	5,239,539	837,716	1,783,494	2,621,210
5.3. Commodity		111,710,308	3,495,630	115,205,938	106,248,275	2,762,344	109,010,619
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		529,461,764	262,692,582	792,154,346	552,289,678	193,747,833	746,037,511
5.6. Other pledged items		132,138,333	41,983,730	174,122,063	115,697,559	44,107,197	159,804,756
5.7. Depositories receiving pledged items		517,352	141,407	658,759	615,777	137,014	752,791
<b>VI. ACCEPTED GUARANTEES AND WARRANTS</b>		<b>3,129,406,197</b>	<b>3,343,142,964</b>	<b>6,472,549,161</b>	<b>1,445,050,471</b>	<b>1,320,523,643</b>	<b>2,765,574,114</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>4,132,554,181</b>	<b>3,952,097,452</b>	<b>8,084,651,633</b>	<b>2,418,532,345</b>	<b>1,777,229,241</b>	<b>4,195,761,586</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Current Period January 1, 2020- December 31, 2020	Prior Period January 1 2019- December 31, 2019
<b>I.</b>	<b>INTEREST INCOME</b>	<b>47,263,551</b>	<b>42,074,839</b>
1.1	Interest on loans	36,731,110	34,700,820
1.2	Interest received from reserve deposits	151,349	295,226
1.3	Interest received from banks	42,653	187,630
1.4	Interest received from money market transactions	1,412	300
1.5	Interest received from marketable securities portfolio	10,328,692	6,883,468
1.5.1	Financial assets at fair value through profit or loss	90,514	6,025
1.5.2	Financial assets at fair value through other comprehensive income	4,346,248	2,154,955
1.5.3	Financial assets measured at amortised cost	5,891,930	4,722,488
1.6	Finance lease interest income	-	-
1.7	Other interest income	8,335	7,395
<b>II.</b>	<b>INTEREST EXPENSES</b>	<b>27,376,148</b>	<b>29,060,127</b>
2.1	Interest on deposits	16,506,836	18,132,430
2.2	Interest on funds borrowed	1,294,251	1,515,799
2.3	Interest on money market transactions	4,534,706	5,137,653
2.4	Interest on securities issued	4,580,755	4,108,916
2.5	Leasing interest income	136,597	154,905
2.6	Other interest expenses	323,003	10,424
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>	<b>19,887,403</b>	<b>13,014,712</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>	<b>3,395,062</b>	<b>3,978,688</b>
4.1	Fees and commissions received	4,230,713	5,071,035
4.1.1	Non-cash loans	771,180	718,014
4.1.2	Other	3,459,533	4,353,021
4.2	Fees and commissions paid	835,651	1,092,347
4.2.1	Non-cash loans	465	632
4.2.2	Other	835,186	1,091,715
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>167,839</b>	<b>50,939</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(2,550,724)</b>	<b>(2,583,694)</b>
6.1	Profit/losses from capital market transactions	1,604,919	479,903
6.2	Profit/losses from derivative financial transactions	(1,551,158)	(3,663,040)
6.3	Foreign exchange profit/losses	(2,604,485)	599,443
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>6,273,122</b>	<b>4,035,254</b>
<b>VIII.</b>	<b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>	<b>27,172,702</b>	<b>18,495,899</b>
<b>IX.</b>	<b>ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>11,513,884</b>	<b>8,212,337</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	<b>255,734</b>	<b>52,362</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>3,334,128</b>	<b>2,837,255</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>5,629,683</b>	<b>3,781,362</b>
<b>XIII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>	<b>6,439,273</b>	<b>3,612,583</b>
<b>XIV.</b>	<b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>	<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>NET MONETARY POSITION GAIN/LOSS</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>6,439,273</b>	<b>3,612,583</b>
<b>XVIII.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(1,428,817)</b>	<b>(810,292)</b>
18.1	Current tax provision	(1,899,145)	(1,715,496)
18.2	Expense effect of deferred tax (+)	(1,919,239)	(1,061,183)
18.3	Income effect of deferred tax (-)	2,389,567	1,966,387
<b>XIX.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	<b>5,010,456</b>	<b>2,802,291</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>
20.1	Income from assets held for sale	-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures	-	-
20.3	Other income from discontinued operations	-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>	<b>-</b>	<b>-</b>
21.1	Expenses on assets held for sale	-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures	-	-
21.3	Other expenses from discontinued operations	-	-
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>-</b>	<b>-</b>
23.1	Current tax provision	-	-
23.2	Expense effect of deferred tax (+)	-	-
23.3	Income effect of deferred tax (-)	-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>	<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSSES (XIX+XXIV)</b>	<b>5,010,456</b>	<b>2,802,291</b>
25.1	Equity holders of the Bank	-	-
25.2	Non-controlling interest (-)	-	-
	Profit/Loss per 100 shares (full TL)	1.5408	1.1209

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Current Period January 1, 2020- December 31, 2020	Prior Period January 1, 2019- December 31, 2019
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I. PROFIT (LOSS)</b>	<b>5,010,456</b>	<b>2,802,291</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>455,570</b>	<b>1,574,849</b>
<b>2.1. Other comprehensive income that will not be reclassified to profit or loss</b>	<b>396,360</b>	<b>685,252</b>
2.1.1. Gains (Losses) on Revaluation of Property, Plant and Equipment	216,662	(2,749)
2.1.2. Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3. Gains (losses) on remeasurements of defined benefit plans	(92,563)	(94,260)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	346,758	735,027
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(74,497)	47,234
<b>2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>59,210</b>	<b>889,597</b>
2.2.1. Exchange Differences on Translation	-	-
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	71,371	1,113,111
2.2.3. Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4. Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5. Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6. Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(12,161)	(223,514)
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>5,466,026</b>	<b>4,377,140</b>

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR YEAR ENDED DECEMBER 31, 2020**

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

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY				Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss		Total Shareholders' Equity				
	Notes	Paid in Capital	Share Premiums	Share Cancellation	Share Profits	Other Capital Reserves	1	2	3		4	5	6	Prior Period Net Income (Loss)
I.	Current Period	2,500,000	723,918	-	389,695	653,324	(106,165)	2,240,754	80,727	789,300	22,952,429	2,802,291	-	33,026,273
II.	Prior Period End Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
	Corrections Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	2,500,000	723,918	-	389,695	653,324	(106,165)	2,240,754	80,727	789,300	22,952,429	2,802,291	-	33,026,273
IV.	Total Comprehensive Income	-	-	-	-	194,996	(74,050)	275,414	-	59,210	-	-	5,010,456	5,466,026
V.	Capital Increase by Cash	1,405,622	5,579,359	-	-	-	-	-	-	-	-	-	-	6,984,981
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	-	-	-	106,507	-	-	-	-	-	72,815	828,056	-	1,007,378
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	2,729,476	(2,729,476)	-	-
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	2,729,476	(2,729,476)	-	-
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance (I+II+...X+XI)	3,905,622	6,303,277	-	496,202	848,320	(180,215)	2,516,168	80,727	848,510	25,754,720	900,871	5,010,456	46,484,658

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 as Other Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)
4. Translation Differences from Foreign Currency Transactions
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method).

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE NOTE 1. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY														
						1	2	3	4	5	6	Profit Reserves	Prior Period Net Income (Loss)	Current Period Net Income (Loss)	Total Shareholders' Equity					
<b>I.</b>	<b>Prior Period December 31, 2019</b>																			
	Prior Period End Balance	2,500,000	723,918	-	90,752	655,798	(33,854)	1,480,717	80,727	(100,297)	-	18,227,291	4,725,138	-	-	-	-	-	-	28,350,190
<b>II.</b>	Changes Made According to Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	Adjusted Beginning Balance (I+II)	2,500,000	723,918	-	90,752	655,798	(33,854)	1,480,717	80,727	(100,297)	-	18,227,291	4,725,138	-	-	-	-	-	-	28,350,190
<b>IV.</b>	Total Comprehensive Income	-	-	-	-	(2,474)	(72,311)	760,037	-	889,597	-	-	-	-	-	-	-	-	-	4,377,140
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	298,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	298,943
<b>XI.</b>	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Ending Balance (I+II+...+X+XI)</b>	<b>2,500,000</b>	<b>723,918</b>	<b>-</b>	<b>389,695</b>	<b>653,324</b>	<b>(106,165)</b>	<b>2,240,754</b>	<b>80,727</b>	<b>789,400</b>	<b>-</b>	<b>22,952,429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,026,273</b>

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 as Other Profit or Loss of the Investments Valued by Equity Method)
4. Translation Differences from Foreign Currency Transactions
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Current Period December 31, 2020	Prior Period December 31, 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>I.1 Operating profit before changes in operating assets and liabilities</b>		<b>5,586,957</b>	<b>3,722,694</b>
1.1.1 Interests received		39,185,363	37,597,067
1.1.2 Interests paid		(27,364,820)	(29,099,926)
1.1.3 Dividends received		167,839	50,939
1.1.4 Fee and commissions received		4,876,183	5,453,801
1.1.5 Other income		332,172	137,761
1.1.6 Collections from previously written-off loans and other receivables		4,581,483	2,577,980
1.1.7 Cash payments to personnel and service suppliers		(3,629,655)	(3,113,819)
1.1.8 Taxes paid		(2,368,133)	(2,493,672)
1.1.9 Other		(10,193,475)	(7,387,437)
<b>I.2 Changes in operating assets and liabilities</b>		<b>59,184,638</b>	<b>10,256,005</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(4,982,818)	(2,016,198)
1.2.2 Net (increase) decrease in due from banks		(28,590,543)	5,204,139
1.2.3 Net (increase) decrease in loans		(143,828,933)	(58,282,085)
1.2.4 Net (increase) decrease in other assets		(8,789,654)	(3,097,875)
1.2.5 Net increase (decrease) in bank deposits		12,482,729	3,467,355
1.2.6 Net increase (decrease) in other deposits		150,008,964	69,090,068
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		5,968,459	(221,344)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		76,916,434	(3,888,055)
<b>I. Net cash flow provided from banking operations</b>		<b>64,771,595</b>	<b>13,978,699</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(62,790,792)</b>	<b>(16,134,516)</b>
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(294,474)	(181,576)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		700	1,342
2.3 Cash paid for the purchase of tangible and intangible asset		(2,805,046)	(325,805)
2.4 Cash obtained from the sale of tangible and intangible asset		1,081,779	617,246
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(77,707,223)	(22,714,132)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		22,252,495	11,348,566
2.7 Cash paid for the purchase of financial assets at amortized cost		(10,980,105)	(6,514,751)
2.8 Cash obtained from sale of financial assets at amortized cost		5,718,504	1,664,238
2.9 Other		(57,422)	(29,644)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>23,284,857</b>	<b>12,252,309</b>
3.1 Cash obtained from funds borrowed and securities issued		35,730,459	30,548,498
3.2 Cash outflow from funds borrowed and securities issued		(19,071,449)	(17,940,337)
3.3 Equity instruments issued		7,000,000	-
3.4 Dividends paid		-	-
3.5 Payments for finance lease liabilities		(374,153)	(355,852)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>20,761</b>	<b>196,541</b>
<b>V. Net increase/decrease in cash and cash equivalents</b>		<b>25,286,421</b>	<b>10,293,033</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	V-VI-4	<b>29,765,174</b>	<b>19,472,141</b>
<b>VII. Cash and cash equivalents at end of the period</b>	V-VI-4	<b>55,051,595</b>	<b>29,765,174</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Current Period December 31,2020	Prior Period December 31,2019
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>			
<b>1.1 CURRENT YEAR'S PROFIT</b>		6,439,273	3,612,583
<b>1.2 TAXES AND LEGAL DUTIES PAYABLE</b>		(1,428,817)	(810,292)
1.2.1 Corporate tax (income tax)	V-IV-11	(1,899,145)	(1,715,496)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties (*)	V-IV-11	470,328	905,204
<b>A. NET PROFIT FOR THE YEAR</b>		<b>5,010,456</b>	<b>2,802,291</b>
<b>1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES</b>	V-IV-11	-	-
<b>B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>		-	-
<b>1.4 ACCUMULATED LOSSES</b>		-	-
<b>1.5 FIRST LEGAL RESERVES</b>	V-V-5	-	94,855
<b>1.6 OTHER STATUTORY RESERVES</b>	V-V-5	-	94,854
<b>C. NET PROFIT AVAILABLE FOR DISTRIBUTION(**)</b>		-	<b>1,707,378</b>
<b>1.7 FIRST DIVIDEND TO SHAREHOLDERS</b>		-	-
1.7.1 To owners of ordinary shares		-	-
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
<b>1.8 DIVIDENDS TO PERSONNEL</b>		-	-
<b>1.9 DIVIDENDS TO BOARD OF DIRECTORS</b>		-	-
<b>1.10 SECOND DIVIDEND TO SHAREHOLDERS</b>		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
<b>1.11 SECOND LEGAL RESERVES</b>		-	-
<b>1.12 STATUS RESERVES</b>		-	-
<b>1.13 EXTRAORDINARY RESERVES</b>	V-V-5	-	1,634,563
<b>1.14 OTHER RESERVES</b>		-	-
<b>1.15 SPECIAL FUNDS</b>	V-V-5	-	72,815
<b>II. DISTRIBUTION FROM RESERVES</b>		-	-
<b>2.1 DISTRIBUTION OF RESERVES</b>		-	-
<b>2.2 SECOND LEGAL RESERVES</b>		-	-
<b>2.3 DIVIDENDS TO SHAREHOLDERS</b>		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
<b>2.4 DIVIDENDS TO PERSONNEL</b>		-	-
<b>2.5 DIVIDENDS TO BOARD OF DIRECTORS</b>		-	-
<b>III. EARNINGS PER SHARE</b>		-	-
<b>3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)</b>		<b>1.5408</b>	<b>1.1209</b>
<b>3.2 TO OWNERS OF ORDINARY SHARES ( % )</b>		<b>154.08</b>	<b>112.09</b>
<b>3.3 TO OWNERS OF PRIVILEGED SHARES</b>		-	-
<b>3.4 TO OWNERS OF PRIVILEGED SHARES ( % )</b>		-	-
<b>IV. DIVIDEND PER SHARE</b>		-	-
<b>4.1 TO OWNERS OF ORDINARY SHARES</b>		-	-
<b>4.2 TO OWNERS OF ORDINARY SHARES ( % )</b>		-	-
<b>4.3 TO OWNERS OF PRIVILEGED SHARES</b>		-	-
<b>4.4 TO OWNERS OF PRIVILEGED SHARES ( % )</b>		-	-

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

(\*\*) As of the report date, distributable net profit of the period is not shown as any decision regarding the 2020 profit distribution is not taken.

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

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UNCONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

**SECTION THREE  
ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

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

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

The 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. 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 Bank has explained the effects of Covid-19, which it reflects in the financial statements dated December 31, 2020, in the following sections. In addition, while preparing the financial statements dated December 31, 2020, the fair value measurements were reviewed within the scope of TFRS 13 Fair Value Measurement standard.

The Indicator Interest Rate Reform - Phase 2, which introduced changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 1, 2021, was published in December 2020 and early implementation of the changes is permitted. With the amendments made, certain exceptions are provided in the basis for determining contractual cash flows and hedge accounting provisions. The changes have not been implemented early and the developments are being evaluated by the Bank. From items indexed to benchmark interest rates, loans and securities constitute assets; securities issued and loans borrowed through repo constitute liabilities in the Bank's financial statements. The effects of these changes on the financial statements and performance of the Bank are evaluated by the management. As of 31 December 2020, the Bank does not have any hedging transactions for interest rate risk.

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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**

**Additional paragraph for convenience translation to English**

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

**Strategy for the use of financial instruments**

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

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

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

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

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

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

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

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

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 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, 76.8 Million EUR portion of the securities issued by the Bank on 4 May 2016 with a nominal amount of 500 million Euros and the redemption date of 4 May 2021, 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 December 31, 2020, the foreign exchange income presented in the income statement is TL 184,408. 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 December 31, 2020, it was identified that the evaluations that were made about the process to protect from the fair value risk were effective. Efficiency testing, which is consistent with the Bank's risk strategies, is conducted using the "Dollar off-set method" in the protection from risk process. According to this method, hedging compares the change in value of protection subject from risk with the change in value of protection tool from risk and calculates the relation with the effectiveness ratio of the hedge. The calculated effectiveness ratio is being evaluated within the TAS 39 Financial Instruments: Recognition and Measurement standards and hedge accounting principles are being applied. The bank documents the hedging strategies along with risk management goals. Hedge accounting ends when protection subject from risk ends or being sold or effectiveness test results are not effective anymore.

**III. INFORMATION OF ASSOCIATES AND SUBSIDIARIES**

Subsidiaries and associates are recognized at fair value in the unconsolidated financial statements, under the standard of, TFRS 9, "Financial Instruments: Turkey Financial Reporting Standards" and in accordance with IAS 27 "Separate Financial Statements".

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

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

Embedded derivative products are not separated from the articles of association and are accounted according to the standard on which the articles of association are based. As of December 31, 2020, the Bank does not have any embedded derivative financial instruments.

**V. INFORMATION ON INTEREST INCOME AND EXPENSES**

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

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

**VI. INFORMATION ON FEES AND COMMISSIONS**

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

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

**VII. INFORMATION ON FINANCIAL ASSETS**

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

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**ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

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

**Classification and Measurement of Financial Instruments**

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

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

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

The Bank takes into consideration the contractual terms of the financial asset in the evaluation of the contractual cash flows that only include principal and interest payments on the principal. This includes assessing whether the financial asset includes a contractual condition that could change the timing or amount of contractual cash flows.

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

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

**Financial assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit/loss” are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from 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.

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**ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**Financial Assets at Fair Value Through Other Comprehensive Income**

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**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. The estimated inflation rate used is updated as needed within the year.

**Derivative Financial Assets**

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

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

The information of classification of derivative instruments are disclosed in Section 3 Note IV.

**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 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.

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON EXPECTED LOSS PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

Different macroeconomic models have been created for the retail portfolio and commercial portfolio, and macroeconomic forecasts affect the expected loss provision calculations in two separate scenarios, base and bad. The scenario weights used in the calculation of the “Expected Credit Loss Provision” were reconsidered 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 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 December 2020.

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 Bank applies the expected 12-month default probabilities to the estimated default amount and multiplies with the loss given default and downgrades to the present day with the original effective interest rate of the loan. For these assets, an expected 12-month credit loss is recognized and interest income is calculated over the gross carrying amount. 12-month expected credit loss is the loss arising from possible risks in the first 12 months following the reporting date.

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**ACCOUNTING POLICIES (Continued)**

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

**Stage 2:**

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

**Stage 3:**

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

**Significant Increase in Credit Risk**

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

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

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

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

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

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

Within the scope of the measures taken for COVID-19, the 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 June 2021 according to the decision of the BRSA dated 8 December 2020 and numbered 9312. In this context, receivables that are not collected by the Bank for up to 90 days can be classified under the First Group. In the classification of loans, the 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 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 LOSS PROVISIONS (Continued)**

**Default Definition**

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

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

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

Due to COVID-19, effective as of 17 March 2020, the "more than 90 days past due" condition used in the definition of default for the classification of loans has started to be applied as "more than 180 days past due" in accordance with the 4th and 5th articles of “Regulation on Classification of Loans and Procedures and Principles for Provisions to Be Allocated for them” announcement of BRSA. This regulation will be valid until 30 June 2021 according to the decision of the BRSA dated 8 December 2020 and numbered 9312. In this context, receivables that are not collected by the Bank for up to 180 days can be classified under the Second Group. The Bank, continues the calculate expected credit loss according to its own risk models for these loans. For loans that are not subject to individual evaluation on a customer basis and have a delay of more than 90 days, the Bank determines the information and factors that cannot be included in the expected credit loss calculations based on expert opinion and reflects them in the provision.

**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 890,789 for which 100% provision has been made. (31 December 2019: None.)

**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 31 December 2020 and 31 December 2019, there are no transactions of this nature at the Bank.

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

On April 22, 2020, a share transfer agreement was signed between TVF Financial Investments as the buyer and the Bank as the seller, in order to transfer the Banks shares which represent 51.1% of Güneş Sigorta AŞ’s capital and 53.9% of Vakıf Emeklilik ve Hayat AŞ’s capital to TVF Financial Investments AŞ (“TVF Financial Investments”). The share transfer has been completed as of the same date.

As of April 22, 2020, all of the shares owned by the Bank in Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ were transferred to TVF Finansal Yatırımlar AŞ, and the Bank have not had any shares left in the relevant companies.

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**XIII. INFORMATION ON TANGIBLE ASSETS**

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

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

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

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

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

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

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

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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 “IFRS 16 Leases” effective as of January 1, 2019, and on the transition date, the Bank has applied the simplified transition approach and elected not to restate comparative figures.

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

In accordance with “IFRS 16 Leases” standard, the Bank calculates the “right to use” amount on the basis of the present value of the lease payments of the fixed asset leased at the beginning of the lease and includes them in “tangible fixed assets”. In calculating assets having a right to use, outstanding rent amounts were discounted by a specific rate, considering the remaining term of the lease contract signed with the property owner, to determine net present value.

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

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

**XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

**Reserve for employee termination benefits**

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2020 is TL 7,117 (full TL) (December 31, 2019: TL 6,380 (full TL)).

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the TAS 19 – Employee Benefits.

As of December 31, 2020, and December 31, 2019, actuarial estimates used are:

	<b>Current Period - 31 December 2020</b>	<b>Prior Period - 31 December 2019</b>
Discount Rate	12.80%	12.10%
Estimated Inflation Rate	9.50%	8.20%
Real Wage Increase Rate	10.50%	9.20%

**Other benefits to employees**

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

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

**Pension fund**

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

As part of Social Security Law’s 506 numbered, temporary article no.23, monthly income or salary is eligible for whose disabled with fund’s associates, senility and death insurance is subjected according to the first paragraph of the temporary article no. 23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411, issued in the November 1, 2005 dated and 25983 numbered Official Gazette, has been cancelled by the Constitutional Court’s March 22, 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on December 15, 2007 in the Official Gazette no. 26731. The reason for the cancellation decision by Constitutional Court was stated as possible future losses on acquired rights of Fund members.

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

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

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**ACCOUNTING POLICIES (Continued)**

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

**Pension fund (Continued)**

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

**Corporation tax legislation for the foreign branches**

***Bahrain***

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

***Erbil***

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

***New York***

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

**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 deferred tax debt or assets is determined by calculating the "taxable temporary differences" between the assets' and debts' book values versus the values on the legal tax base accounts. According to tax legislation, differences that do not affect the financial or commercial profit of the assets or liabilities at the acquisition date are excluded from these calculations.

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

**Transfer Pricing**

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

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

**XVIII. INFORMATION ON CASH AND CASH EQUIVALENTS**

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

**XIX. ADDITIONAL INFORMATION ON BORROWINGS**

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

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

The bank is not hedging about debt instruments.

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

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

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.

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**ACCOUNTING POLICIES (Continued)**

**XX. INFORMATION ON ISSUANCE OF EQUITY SECURITIES (Continued)**

In the special circumstances 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 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 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 TL 5,579,359 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 December 31, 2020 and December 31, 2019, the Bank does not have any government incentives.

**XXIII. INFORMATION ON SEGMENT REPORTING**

An operating segment is a component of an entity:

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

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

**XXIV. INFORMATION ON OTHER MATTERS**

**Earnings per share**

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

As at and for the period ended December 31, 2020, earnings per 100 shares are full TL 1.5408 (December 31, 2019: full TL 1.1209).

**Related parties**

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. INFORMATION ON OTHER MATTERS (Continued)**

**Classifications**

In the previous periods "Gain on Sale of Immovable and Shares of Associates and Subsidiaries" which was classified under "Other Accumulated Comprehensive Income or Expenses that will not be Reclassified in Profit or Loss" in the balance sheet, were classified under "Other Profit Reserves" in the balance sheet dated 31 December 2020, and the balance sheet dated 31 December 2019 is shown in accordance with the current period.

**Explanations on TFRS 16 Standard**

TFRS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and to provide them with appropriate information. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements.

The Bank has applied the simplified transition approach and elected not to restate comparative figures. For the leases previously classified as operational leases in accordance with TAS 17, the lease liability calculated on the present value of the remaining lease payments, discounted using the alternative borrowing interest rate of the lessee at the initial application date is reflected to the financial statements. A right of use is also reflected in the financial statements at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately prior to the initial application date, adjusted for the amount of all prepayment or accrued lease payments.

The amounts recognized under TFRS 16 as of December 31, 2020 and December 31, 2019 are presented below.

<b>December 31, 2020</b>	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Lease payables	1,322,486	21,988	1,344,474
Deferred rental expenses(-)	366,940	2,741	369,681
<b>Lease payables (Net)</b>	<b>955,546</b>	<b>19,247</b>	<b>974,793</b>
Right of use assets	878,265	18,284	896,549
<b>December 31, 2019</b>	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Lease payables	1,405,301	19,792	1,425,093
Deferred rental expenses(-)	494,028	2,211	496,239
<b>Lease payables (Net)</b>	<b>911,273</b>	<b>17,581</b>	<b>928,854</b>
Right of use assets	871,107	16,473	887,580

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, 72,951 TL of lease payments were made in the related period. (December 31, 2019: TL 86,873).

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**SECTION FOUR**

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

**I. INFORMATION ON EQUITY ITEMS**

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

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 December 8, 2020 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.

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

As of December 31, 2020 Bank's equity amount TL 65,379,700 (December 31, 2019: TL 51,694,358 ) capital adequacy ratio is 16.44% (December 31, 2019: 16.61%).

<b>Current Period - December 31, 2020</b>	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	3,905,622	
Share Premium	6,303,277	
Reserves	25,754,720	
Income recognized under equity in accordance with TAS	4,333,606	
Profit	5,911,327	
Current Period's Profit	5,010,456	
Prior Period's Profit	900,871	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	496,202	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>46,704,754</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	184,281	-
Leasehold Improvements on Operational Leases	186,177	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	251,975	255,263
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>622,433</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>46,082,321</b>	
<b>Additional Tier 1 capital: instruments</b>	<b>11,397,014</b>	
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)	-	
<b>Additional Tier 1 Capital before deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier 1 Capital</b>	<b>-</b>	
Bank's direct or indirect investment in Tier 1 Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	

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

Current Period - December 31, 2020	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Transition from the Core Capital to Continue to deduct Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not 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 (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	11,397,014	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	57,479,335	-
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium	3,271,420	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	325,763	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	4,640,057	-
<b>Tier 2 Capital Before Deductions</b>	7,911,477	-
<b>Deductions From Tier 2 Capital</b>		
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	7,911,477	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	65,390,812	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	11,112	-
Other accounts to be defined by the BRSA (-)	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	65,379,700	-
Total Risk Weighted Amounts	397,695,782	-
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11.59	-
Tier 1 Capital Adequacy Ratio (%)	14.45	-
Capital Adequacy Ratio (%)	16.44	-
<b>BUFFERS</b>		
Total buffer requirement (a+b+c)	2.507	-
a) Capital conservation buffer requirement (%)	2.500	-
b) Bank specific counter-cyclical buffer requirement (%)	0.007	-
c) Systemically important banks buffer requirement (%)**	0.000	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	7.09	-
<b>Amounts below deduction thresholds</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	8,630,600	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	4,640,057	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Prior Period - December 31, 2019</b>		
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,918	
Reserves	22,952,429	
Income recognized under equity in accordance with TAS	3,908,655	
Profit	2,802,291	
Current Period's Profit	2,802,291	
Prior Period's Profit	-	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	389,695	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>33,276,988</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	250,715	-
Leasehold Improvements on Operational Leases	192,666	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	217,897	221,103
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>661,278</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>32,615,710</b>	
<b>Additional Tier 1 capital: instruments</b>	<b>9,670,380</b>	
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	9,670,380	
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	
<b>Additional Tier 1 Capital before deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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

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

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

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

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - December 31, 2020	T.Vakıflar Bankası T.A.O. XS0849728190/ US90015NAB91	T.Vakıflar Bankası T.A.O. XSI551747733 / US90015WAE30	T.Vakıflar Bankası T.A.O. TRSVKFB92719	T.Vakıflar Bankası T.A.O. TRSVKFBFA0043	T.Vakıflar Bankası T.A.O. XSI1984644812	T.Vakıflar Bankası T.A.O. TRSVKFB92925
Issuer Unique identifier (CUSIP, ISIN vb.)						
Governing law(s) of the instrument	Debt Instrument Communique numbered VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communique numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communique on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Subject to 10% deduction as of 1/1/2015	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.	Not subject to deduction.
Eligible at solo/group&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: February 13, 2017	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 FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. INFORMATION ON EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio (Continued)

Prior Period - December 31, 2019	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.	T.Vakıflar Bankası T.A.O.
Issuer	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733 / US90015WAE30	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Subject to 10% deduction as of 1/1/2015	Subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available
Eligible at solo/group&solo	Available	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions ( Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	488	2.780	1.355	525	4.994	4.677	725
Par value of instrument (in million)	4.119	2.788	1.355	525	4.994	4.677	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call date 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 is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	Only one call option is available

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI UNCONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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

**Summary information related to capital adequacy ratio (Continued)**

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

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

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

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

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Shareholders' equity	46,484,658	33,026,273
Valuation differences of the marketable securities	35,815	-
Leasehold improvements on operational leases	(186,177)	(192,666)
Goodwill and intangible assets	(251,975)	(217,897)
General provision (1.25% of the amount that subject to credit risk)	4,640,057	3,540,327
Subordinated debt	14,668,434	15,543,935
Deductions from shareholders' equity	(11,112)	(5,614)
<b>Capital</b>	<b>65,379,700</b>	<b>51,694,358</b>

(\*) 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. CREDIT RISK**

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

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

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

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

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

**II. CREDIT RISK (Continued)**

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

For credit risk management purposes, Risk Management Department operates in

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

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank’s credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of Bank’s risk management concept, long term commitments are accepted more risky than short term commitments.

In addition, in accordance with the BRSA regulation dated December 8, 2020 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.

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

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

The Bank’s largest 100 cash loan customers compose 28.80% of the total cash loan portfolio (December 31, 2019: 30.51%).

The Bank’s largest 100 non-cash loan customers compose 48.92% of the total non-cash loan portfolio (December 31, 2019: 49.42%).

The Bank’s largest 100 cash loan customers compose 17.40% of total assets of the Bank and the Bank’s largest 100 non-cash loan customers compose 11.14% of total off-balance sheet items (December 31, 2019: 19.99% and 11.42%).

The Bank’s largest 200 cash loan customers compose 35.09% of the total cash loan portfolio (December 31, 2019: 38.05%).

The Bank’s largest 200 non-cash loan customers compose 62.95% of the total non-cash loan portfolio (December 31, 2019: 64.05%).

The Bank’s largest 200 cash loan customers compose 21.19% of total assets of the Bank and the Bank’s largest 200 non-cash loan customers compose 14.34% of total off-balance sheet items (December 31, 2019: 24.93% and 14.80%).

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

**II. CREDIT RISK (Continued)**

**Information on loan types and expected loss provisions:**

Current Period, December 31, 2020	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
<b>Loans</b>	<b>326,013,086</b>	<b>18,275,567</b>	<b>97,973,205</b>	<b>2,197,842</b>	<b>15,501,125</b>	<b>1,114,329</b>	<b>439,487,416</b>	<b>21,587,738</b>
Stage 1	278,653,741	2,324,785	94,965,604	513,238	14,393,403	330,780	388,012,748	3,168,803
Stage 2	32,537,635	4,834,735	1,248,806	248,032	243,970	28,919	34,030,411	5,111,686
Stage 3	14,821,710	11,116,047	1,758,795	1,436,572	863,752	754,630	17,444,257	13,307,249
<b>Financial Assets and Other Assets</b>	<b>265,227,726</b>	<b>133,749</b>	-	-	-	-	<b>265,227,726</b>	<b>133,749</b>
<b>Non Cash Loans and Commitments</b>	<b>156,303,022</b>	<b>278,244</b>	-	-	-	-	<b>156,303,022</b>	<b>278,244</b>
Stage 1	153,026,076	186,159	-	-	-	-	153,026,076	186,159
Stage 2	2,660,603	30,203	-	-	-	-	2,660,603	30,203
Stage 3	616,343	61,882	-	-	-	-	616,343	61,882
<b>Total</b>	<b>747,543,834</b>	<b>18,687,560</b>	<b>97,973,205</b>	<b>2,197,842</b>	<b>15,501,125</b>	<b>1,114,329</b>	<b>861,018,164</b>	<b>21,999,731</b>

Prior Period, December 31, 2019	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
<b>Loans</b>	<b>221,179,101</b>	<b>12,806,793</b>	<b>59,090,678</b>	<b>1,843,589</b>	<b>11,821,271</b>	<b>993,080</b>	<b>292,091,050</b>	<b>15,643,462</b>
Stage 1	177,296,821	1,291,905	55,352,529	166,580	10,512,442	143,713	243,161,792	1,602,198
Stage 2	29,656,166	1,734,482	1,646,544	93,684	312,320	31,563	31,615,030	1,859,729
Stage 3	14,226,114	9,780,406	2,091,605	1,583,325	996,509	817,804	17,314,228	12,181,535
<b>Financial Assets and Other Assets</b>	<b>129,749,558</b>	<b>43,805</b>	-	-	-	-	<b>129,749,558</b>	<b>43,805</b>
<b>Non Cash Loans and Commitments</b>	<b>117,369,872</b>	<b>168,114</b>	-	-	-	-	<b>117,369,872</b>	<b>168,114</b>
Stage 1	114,445,533	95,498	-	-	-	-	114,445,533	95,498
Stage 2	2,083,308	8,293	-	-	-	-	2,083,308	8,293
Stage 3	841,031	64,323	-	-	-	-	841,031	64,323
<b>Total</b>	<b>468,298,531</b>	<b>13,018,712</b>	<b>59,090,678</b>	<b>1,843,589</b>	<b>11,821,271</b>	<b>993,080</b>	<b>539,210,480</b>	<b>15,855,381</b>

**Information on expected loss provisions for loans:**

Current Period December 31, 2020	Stage 1	Stage 2	Stage 3
Provision balance at the beginning (1 January 2019)	1,602,198	1,859,729	12,181,535
Additional provisions during the period	1,910,513	2,938,489	3,570,026
Disposals during the period (-)	414,946	541,634	627,383
Deleted from assets (-)	-	-	890,789
Transfers to stage 1	118,494	(117,934)	(560)
Transfers to stage 2	(40,330)	1,115,777	(1,075,447)
Transfers to stage 3	(7,126)	(142,741)	149,867
<b>Provision Balance at the end of the Period</b>	<b>3,168,803</b>	<b>5,111,686</b>	<b>13,307,249</b>

Prior Period December 31, 2019	Stage 1	Stage 2	Stage 3
Provision balance at the beginning (1 January 2019)	1,533,139	1,307,302	8,019,949
Additional provisions during the period	642,678	1,517,781	4,117,119
Disposals during the period (-)	497,505	567,780	429,221
Deleted from assets (-)	-	-	-
Transfers to stage 1	57,321	(57,114)	(207)
Transfers to stage 2	(106,636)	141,502	(34,866)
Transfers to stage 3	(26,799)	(481,962)	508,761
<b>Provision Balance at the end of the Period</b>	<b>1,602,198</b>	<b>1,859,729</b>	<b>12,181,535</b>

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

**II. CREDIT RISK (Continued)**

The general provision for credit risk amounts to TL 8,630,600 (December 31, 2019: TL 3,609,523).

<b>Risk Classifications:</b>	<b>Current Period Risk Amount <sup>(*)</sup></b>	<b>Average Risk Amount <sup>(*)</sup><sup>(**)</sup></b>
Claims on sovereigns and Central Banks	307,268,871	211,991,626
Claims on regional governments or local authorities	9,611,695	10,431,664
Claims on administrative bodies and other non-commercial undertakings	444,570	458,883
Claims on multilateral development banks	9,335	5,383
Claims on international organizations	-	-
Claims on banks and intermediary institutions	56,943,690	36,139,759
Claims on corporate	221,982,623	187,555,285
Claims included in the regulatory retail portfolios	98,093,070	87,905,370
Claims secured by residential property	83,476,378	73,000,360
Past due loans	3,841,385	4,337,210
Higher risk categories decided by the Agency	200,935	135,837
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	411	34
Stock Investments	5,256,930	3,735,362
Other claims	16,675,297	15,123,020

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

(\*\*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2020 period.

<b>Risk Classifications:</b>	<b>Prior Period Risk Amount <sup>(**)</sup></b>	<b>Average Risk Amount <sup>(*)</sup><sup>(**)</sup></b>
Claims on sovereigns and Central Banks	136,307,603	138,182,188
Claims on regional governments or local authorities	10,786,106	10,588,298
Claims on administrative bodies and other non-commercial undertakings	461,745	517,027
Claims on multilateral development banks	11,952	11,989
Claims on international organizations	-	-
Claims on banks and intermediary institutions	35,115,572	35,807,150
Claims on corporate	162,263,083	141,323,198
Claims included in the regulatory retail portfolios	70,614,817	63,545,444
Claims secured by residential property	61,282,364	56,302,048
Past due loans	5,133,585	3,683,047
Higher risk categories decided by the Agency	197,804	179,105
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	3,960
Stock Investments	3,086,724	3,242,569
Other claims	13,930,885	11,619,414

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

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

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

**II. CREDIT RISK (Continued)**

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

	Claims on sovereigns Central Banks	Claims on and governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims included in the regulatory portfolios	Claims secured by residential property	Past due loans	Higher risk categories by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Current Period - December 31, 2020	306,873,003	9,611,695	444,219	9,335	-	9,148,698	98,091,289	83,376,556	3,841,385	-	-	-	-	411	324,908	16,675,297	738,899,837
Domestic	35,698	-	351	9,335	-	42,885,862	1,405	-	1,288	-	-	-	-	-	-	-	43,375,093
EU countries (*)	-	-	-	-	-	108,113	-	-	-	-	-	-	-	-	-	-	168,113
Off-shore banking regions	-	-	-	-	-	884,126	-	94,325	-	-	-	-	-	-	-	-	10,418,926
USA, Canada	288,607	-	-	-	-	2,507,149	376	5,497	-	-	-	-	-	-	-	-	4,228,537
Other countries	71,563	-	-	-	-	1,249,390	1,61,710	-	199,647	-	-	-	-	-	-	-	1,682,310
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	100,352	-	-	-	-	-	-	-	-	4,932,022	-	5,032,374
Undistributed Assets/ Liabilities (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>307,268,871</b>	<b>9,611,695</b>	<b>444,570</b>	<b>9,335</b>	<b>-</b>	<b>56,943,690</b>	<b>98,093,070</b>	<b>83,476,378</b>	<b>3,841,385</b>	<b>200,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411</b>	<b>5,256,930</b>	<b>16,675,297</b>	<b>803,805,190</b>

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

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

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

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

**II. CREDIT RISK (Continued)**

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

Prior Period - December 31, 2019	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	133,032,922	10,786,106	461,745	11,759	-	11,734,181	152,587,242	70,605,286	61,218,751	5,133,585	5,732	-	-	-	-	285,448	13,930,885	459,776,151
EU countries	-	-	-	-	-	18,842,715	-	-	-	-	-	-	-	-	-	-	-	18,860,206
OECD countries (*)	-	-	-	11,759	-	96,597	-	-	-	-	-	-	-	-	-	-	-	96,597
Off-shore banking regions	-	-	-	-	-	-	7,848,407	8,030	63,263	-	-	-	-	-	-	-	-	7,919,700
USA, Canada	3,213,268	-	-	193	-	3,710,833	1,678,019	1,501	350	-	-	-	-	-	-	-	-	8,604,164
Other countries	61,413	-	-	-	-	677,417	149,415	-	-	192,072	-	-	-	-	-	-	-	1,080,317
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	53,829	-	-	-	-	-	-	-	-	-	2,801,276	-	2,855,105
Undistributed Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>136,307,603</b>	<b>10,786,106</b>	<b>461,745</b>	<b>11,952</b>	<b>-</b>	<b>35,115,572</b>	<b>162,263,083</b>	<b>70,614,817</b>	<b>61,282,364</b>	<b>5,133,585</b>	<b>197,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,086,724</b>	<b>13,930,885</b>	<b>499,192,240</b>

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

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

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



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INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

II. CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (\*)

Prior Period - December 31, 2019	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Toplam
<b>Agricultural</b>	228,761	147	59	-	-	-	566,996	1,037,452	687,544	94,677	-	-	-	-	-	-	-	2,480,119	135,517	2,615,636
<i>Farming and raising livestock</i>	220,050	147	59	-	-	-	542,194	953,382	672,245	93,646	-	-	-	-	-	-	-	2,383,611	98,112	2,481,723
<i>Forestry</i>	4,710	-	-	-	-	-	162	64,620	9,294	640	-	-	-	-	-	-	-	74,841	4,594	79,435
<i>Fishing</i>	3,992	-	-	-	-	-	24,660	19,450	6,005	391	-	-	-	-	-	-	-	21,667	32,811	54,478
<b>Manufacturing</b>	5,567,080	421,596	282	-	-	-	65,867,986	7,370,755	10,297,506	1,376,957	-	-	-	-	-	-	-	43,670,363	47,231,799	90,902,162
<i>Mining</i>	145,140	-	-	-	-	-	3,389,440	195,561	224,719	54,308	-	-	-	-	-	-	-	1,571,586	4,437,582	6,009,168
<i>Production</i>	5,340,305	-	12	-	-	-	43,124,948	6,834,671	9,685,462	849,611	-	-	-	-	-	-	-	36,180,407	29,654,602	65,835,009
<i>Electric, Gas, Water</i>	81,635	421,596	270	-	-	-	17,333,598	340,323	387,325	473,038	-	-	-	-	-	-	-	5,918,370	13,139,615	19,057,985
<b>Construction</b>	2,156,088	24	116	-	-	-	20,040,675	3,574,489	7,733,449	690,074	-	-	-	-	-	-	-	20,899,700	13,293,215	34,192,915
<i>Services</i>	88,128,809	10,561,963	163,733	11,952	-	32,512,593	44,396,057	8,911,878	10,789,581	1,134,504	197,804	-	-	-	-	285,448	-	114,698,430	82,195,892	196,894,322
<i>Wholesale and retail trade</i>	2,778	70	-	-	-	-	16,925	9,186	2,830	125	-	-	-	-	-	-	-	30,100	1,814	31,914
<i>Hotel, Food and Beverage Services</i>	480,614	13	87	-	-	-	3,679,931	1,392,775	4,794,261	790,699	-	-	-	-	-	-	-	4,249,181	6,889,199	11,138,380
<i>Transportation and Telecommunication</i>	711,851	695	14,919	-	-	-	21,846,599	4,173,367	2,492,644	179,079	-	-	-	-	-	-	-	9,235,595	20,185,559	29,421,154
<i>Financial Institutions</i>	86,101,230	-	3,510	11,952	-	32,512,593	15,426,443	691,912	310,717	22,633	197,804	-	-	-	-	285,448	-	82,671,919	52,892,323	135,564,242
<i>Real Estate and renting services</i>	184,910	-	115,270	-	-	-	2,112,450	2,128,597	2,007,634	85,243	-	-	-	-	-	-	-	5,446,793	1,187,311	6,634,104
<i>Self-employment services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Education services</i>	173,724	-	64	-	-	-	634,630	222,174	634,160	33,899	-	-	-	-	-	-	-	1,696,166	2,485	1,698,651
<i>Health and social services</i>	473,702	10,361,185	29,883	-	-	-	679,079	291,867	547,335	22,826	-	-	-	-	-	-	-	11,368,676	1,037,201	12,405,877
<b>Other</b>	40,226,865	2,376	297,555	-	-	2,602,979	31,391,369	49,722,243	31,774,284	1,387,373	-	-	-	-	-	2,801,276	13,930,885	117,488,013	57,099,192	174,587,205
<b>Total</b>	136,307,603	10,786,106	461,745	11,952	-	35,115,572	162,263,083	70,614,817	61,282,564	5,133,585	197,804	-	-	-	-	3,086,724	13,930,885	299,236,625	199,955,615	499,192,240

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

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

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CREDIT RISK (Continued)**

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

Risk Classifications-Current Period - December 31, 2020	According to their outstanding maturities					Undistributed
	1 month	1-3 month	3-6 month	6-12 month	1 year and over	
Claims on sovereigns and Central Banks	27,119,525	1,955,876	4,975,209	10,352,819	262,865,442	-
Claims on regional governments or local authorities	10,776	145,653	153,478	386,643	8,915,145	-
Claims on administrative bodies and other non-commercial undertakings	2,233	3,499	6,633	6,833	425,372	-
Claims on multilateral development banks	9,335	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	25,493,408	4,380,764	3,683,777	4,067,183	19,318,558	-
Claims on corporate	13,922,313	14,682,669	15,917,497	26,519,175	150,940,969	-
Claims included in the regulatory retail portfolios	1,189,606	1,310,779	1,786,415	6,899,540	86,906,730	-
Claims secured by residential property	702,242	1,826,002	1,970,134	7,845,074	71,132,926	-
Past due loans	-	-	-	-	-	3,841,385
Higher risk categories decided by the Agency	3,481	1,461	-	-	195,993	-
Marketable securities secured by mortgages	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	411	-
Stock Investments	-	-	-	-	5,256,930	-
Other claims	-	-	-	-	16,675,297	-
<b>TOTAL</b>	<b>68,452,919</b>	<b>24,306,703</b>	<b>28,493,143</b>	<b>56,077,267</b>	<b>622,633,773</b>	<b>3,841,385</b>

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

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

Risk Classifications-Prior Period - December 31, 2019	According to their outstanding maturities					Undistributed
	1 month	1-3 month	3-6 month	6-12 month	1 year and over	
Claims on sovereigns and Central Banks	5,217,102	1,209,592	2,761,506	3,785,282	123,334,121	-
Claims on regional governments or local authorities	3,474	128,433	37,644	330,986	10,285,569	-
Claims on administrative bodies and other non-commercial undertakings	3,038	6,198	37,413	115,606	299,490	-
Claims on multilateral development banks	-	11,759	193	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	8,179,338	2,539,337	2,434,474	2,201,866	19,760,557	-
Claims on corporate	13,414,985	9,232,873	9,604,852	21,797,937	108,212,436	-
Claims included in the regulatory retail portfolios	967,179	1,206,618	1,993,940	7,596,554	58,850,526	-
Claims secured by residential property	685,644	1,115,576	2,246,873	7,649,724	49,584,547	-
Past due loans	-	-	-	-	-	5,133,585
Higher risk categories decided by the Agency	17,727	19,499	6,282	2,281	152,015	-
Marketable securities secured by mortgages	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Stock Investments	-	-	-	-	3,086,724	-
Other claims	-	-	-	-	13,930,885	-
<b>TOTAL</b>	<b>28,488,487</b>	<b>15,469,885</b>	<b>19,123,177</b>	<b>43,480,236</b>	<b>387,496,870</b>	<b>5,133,585</b>

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

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CREDIT RISK (Continued)**

**Risk balances according to risk weights**

Risk Weights Current Period - December 31, 2020	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	325,440,013	580,404	-	3,793,810	29,127,367	39,245,287	65,922,565	96,131,395	243,283,414	280,935	-	-	-	449,264
Risk Mitigation after Credit Risk Mitigation	299,019,829	9,606,441	-	-	30,635,302	39,245,287	70,164,350	97,470,077	257,382,970	280,935	-	-	-	449,264

Risk Weights Current Period - December 31, 2019	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	125,441,701	1,209,176	-	5,229,106	7,852,201	28,893,457	87,688,549	69,451,682	173,136,657	289,711	-	-	-	416,177
Risk Mitigation after Credit Risk Mitigation	110,554,233	16,178,949	-	-	8,602,550	28,893,457	80,542,304	70,152,481	183,978,555	289,711	-	-	-	416,177

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

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

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CREDIT RISK (Continued)**

**Information According to Sectors and Counterparties**

Current Period - December 31, 2020	Significant Increase in Credit Risk (Stage 2)	Impaired (IFRS 9)	
		Default (Stage 3)	Expected Credit Loss Provisions (IFRS 9)
<b>Agricultural</b>	<b>236,605</b>	<b>162,659</b>	<b>144,317</b>
Farming and raising livestock	232,351	148,578	134,501
Forestry	1,366	3,165	2,751
Fishing	2,888	10,916	7,065
<b>Manufacturing</b>	<b>9,001,397</b>	<b>4,082,623</b>	<b>4,188,250</b>
Mining	297,850	260,952	268,382
Production	4,915,820	2,938,233	3,004,808
Electric, Gas, Water	3,787,727	883,438	915,060
<b>Construction</b>	<b>7,987,949</b>	<b>3,919,908</b>	<b>3,879,051</b>
<b>Services</b>	<b>16,311,686</b>	<b>6,484,805</b>	<b>7,850,487</b>
Wholesale and retail trade	6,839,217	4,231,887	4,027,877
Hotel, Food and Beverage Services	2,347,710	231,806	1,252,127
Transportation and telecommunication	3,028,409	569,034	778,154
Financial Institutions	138,047	51,975	66,487
Real estate and renting services	2,031,202	227,035	614,367
Self-employment services	1,534,371	960,270	877,712
Education services	219,041	102,166	125,843
Health and social services	173,689	110,632	107,920
<b>Other</b>	<b>492,774</b>	<b>2,794,262</b>	<b>2,356,830</b>
<b>Toplam</b>	<b>34,030,411</b>	<b>17,444,257</b>	<b>18,418,935</b>

Prior Period - December 31, 2019	Significant Increase in Credit Risk (Stage 2)	Impaired (IFRS 9)	
		Default (Stage 3)	Expected Credit Loss Provisions (IFRS 9)
<b>Agricultural</b>	<b>243,857</b>	<b>333,773</b>	<b>253,914</b>
Farming and raising livestock	232,918	320,384	241,270
Forestry	2,089	10,124	9,434
Fishing	8,850	3,265	3,210
<b>Manufacturing</b>	<b>7,242,511</b>	<b>4,186,138</b>	<b>3,226,121</b>
Mining	196,025	248,310	208,954
Production	3,946,418	2,974,874	2,368,787
Electric, Gas, Water	3,100,068	962,954	648,380
<b>Construction</b>	<b>9,137,386</b>	<b>2,242,515</b>	<b>2,051,312</b>
<b>Services</b>	<b>13,131,731</b>	<b>7,625,936</b>	<b>6,052,588</b>
Wholesale and retail trade	5,697,204	3,934,402	3,219,210
Hotel, Food and Beverage Services	605,995	1,680,131	932,996
Transportation and telecommunication	2,682,332	645,018	731,296
Financial Institutions	190,429	49,744	35,288
Real estate and renting services	1,882,115	213,600	284,922
Self-employment services	1,665,810	900,140	679,144
Education services	241,209	87,847	68,873
Health and social services	166,637	115,054	100,859
<b>Other</b>	<b>1,859,545</b>	<b>2,925,866</b>	<b>2,457,329</b>
<b>Total</b>	<b>31,615,030</b>	<b>17,314,228</b>	<b>14,041,264</b>

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CREDIT RISK (Continued)**

**Information on Changes in Value Adjustments and Credit Provisions**

<b>Current Period - December 31, 2020</b>	<b>Opening Balance 1 January 2020</b>	<b>Provisions reserved during the period</b>	<b>Cancelations</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
Specific provisions	12,245,858	4,448,088	(3,343,721)	18,906	13,369,131
General provisions	3,609,523	7,065,796	(2,023,005)	(21,714)	8,630,600

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

<b>Prior Period - December 31, 2019</b>	<b>Opening Balance 1 January 2019</b>	<b>Provisions reserved during the period</b>	<b>Cancelations</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
Specific provisions	8,051,484	5,211,472	(1,017,449)	351	12,245,858
General provisions	3,002,420	3,000,865	(2,393,955)	193	3,609,523

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

**Fair value of collateral held against impaired loans**

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Cash collateral (*)	-	-
Mortgage	8,593,313	7,441,090
Promissory note (*)	-	-
Others (**)	8,850,944	9,873,138
<b>Total</b>	<b>17,444,257</b>	<b>17,314,228</b>

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

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

<b>Cash loans</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Secured Loans:	325,787,413	213,334,195
Secured by mortgages	79,264,922	57,747,262
Secured by cash collateral	2,432,473	1,701,967
Guarantees issued by financial institutions	1,066,489	863,407
Secured by government institutions or government securities	63,686,242	24,744,773
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	179,337,287	128,276,786
Unsecured Loans	96,255,746	61,442,627
<b>Total performing loans</b>	<b>422,043,159</b>	<b>274,776,822</b>

<b>Non-cash loans</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period- December 31, 2019</b>
Secured Loans:	58,527,445	44,133,481
Secured by mortgages	7,639,220	5,576,009
Secured by cash collateral	1,042,003	639,016
Guarantees issued by financial institutions	-	233,677
Secured by government institutions or government securities	306,285	396,293
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	49,539,937	37,288,486
Unsecured Loans	42,708,592	33,202,561
<b>Total non-cash loans</b>	<b>101,236,037</b>	<b>77,336,042</b>

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**II. CREDIT RISK (Continued)**

**Exposures subject to countercyclical capital buffer**

**Current Period - December 31, 2020**

<b>Country</b>	<b>RWA Calculations for Private Sector Loans in Banking Book</b>	<b>RWA calculations for Trading Book</b>	<b>Total</b>
Turkey	344,945,295	-	344,945,295
Bahrain	9,883,516	-	9,883,516
England	3,810,890	-	3,810,890
Germany	3,215,923	-	3,215,923
France	3,131,140	-	3,131,140
USA	2,067,613	-	2,067,613
Switzerland	1,136,171	-	1,136,171
Iraq	455,701	-	455,701
Netherlands	306,140	-	306,140
Austria	123,581	-	123,581
Other	364,879	-	364,879
<b>Total</b>	<b>369,440,849</b>	<b>-</b>	<b>369,440,849</b>

**Prior Period - December 31, 2019**

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

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)**

**III. FOREIGN CURRENCY EXCHANGE RISK**

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

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

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

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

As at December 31, 2020 and December 31, 2019 the Bank does not have derivative financial instruments held for risk management.

**Foreign exchange risk management policy**

The 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 Bank’s strategies by considering the balance with other financial risks.

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

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

	US Dollar	Euro
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	<b>7.4500</b>	<b>9.14777</b>
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	7.3719	9.0487
Day 2	7.3502	9.0100
Day 3	7.4460	9.1002
Day 4	7.5443	9.1838
Day 5	7.5729	9.2257
<b>Last 30-days arithmetical average rate</b>	<b>7.7334</b>	<b>9.3645</b>

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

**III. FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Information on currency risk**

<b>Current Period - December 31, 2020</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<i>Assets:</i>				
Cash and balances with the Central Bank of Republic of Turkey	40,732,426	28,991,780	8,802,571	78,526,777
Banks	441,980	1,581,410	561,503	2,584,893
Financial assets at fair value through profit or loss	-	161,038	7,000,000	7,161,038
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	9,897,864	39,522,338	-	49,420,202
Loans <sup>(1)</sup>	63,959,408	57,573,964	214,357	121,747,729
Associates, subsidiaries and joint-ventures	935,314	-	-	935,314
Financial assets measured at amortized cost	7,238,241	7,290,406	-	14,528,647
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	-	13,120	-	13,120
Intangible assets	-	-	-	-
Other assets <sup>(2)</sup>	4,973,789	6,774,700	154,905	11,903,394
<b>Total assets</b>	<b>128,179,022</b>	<b>141,908,756</b>	<b>16,733,336</b>	<b>286,821,114</b>
<i>Liabilities:</i>				
Bank deposits	7,598,395	6,395,505	184,045	14,177,945
Foreign currency deposits	62,108,730	102,521,006	20,090,318	184,720,054
Interbank money market takings	11,632,498	7,690,293	-	19,322,791
Other funding	21,399,803	24,626,612	164,153	46,190,568
Securities issued <sup>(3)</sup>	11,270,337	34,787,390	2,060,725	48,118,452
Miscellaneous payables	1,531,060	840,040	188	2,371,288
Derivative financial liabilities held for risk	-	-	-	-
Other liabilities <sup>(2)</sup>	537,763	2,615,485	4,649	3,157,897
<b>Total liabilities</b>	<b>116,078,586</b>	<b>179,476,331</b>	<b>22,504,078</b>	<b>318,058,995</b>
<b>Net 'on balance sheet' position</b>	<b>12,100,436</b>	<b>(37,567,575)</b>	<b>(5,770,742)</b>	<b>(31,237,881)</b>
<b>Net 'off-balance sheet' position</b>	<b>(11,053,505)</b>	<b>37,693,779</b>	<b>5,788,929</b>	<b>32,429,203</b>
Derivative assets <sup>(4)</sup>	10,386,343	42,845,166	6,909,282	60,140,791
Derivative liabilities <sup>(4)</sup>	21,439,848	5,151,387	1,120,353	27,711,588
Non-cash loans <sup>(5)</sup>	25,777,368	30,882,807	1,171,651	57,831,826
<b>Prior Period - December 31, 2019</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	74,513,706	79,781,752	4,770,857	159,066,315
Total liabilities	71,679,023	109,694,620	6,690,690	188,064,333
Net 'on balance sheet' position	2,834,683	(29,912,868)	(1,919,833)	(28,998,018)
Net 'off-balance sheet' position	(1,979,254)	23,696,865	1,937,708	23,655,319
Derivative assets <sup>(4)</sup>	7,791,628	32,111,731	2,728,069	42,631,428
Derivative liabilities <sup>(4)</sup>	9,770,882	8,414,866	790,361	18,976,109
Non-cash loans <sup>(5)</sup>	18,289,781	21,058,283	466,265	39,814,329

- (1). Foreign currency indexed loans amounting to TL 538,028 (December 31, 2019: TL 1,041,327) which are presented in TL column in the balance sheet are included in the table above.
- (2). Other Derivative Financial Instruments Currency Income Costs TL 43,849 TL (31 December 2019: 122,743), Prepaid Expenses TL 168,636 (31 December 2019 : 122,696), 1st and 2nd stage expected loss provisions (13,263)TL (31 December 2019: (26,257)), and derivative financial instruments currency expense accruals of TL 28,593 (31 December 2019: 63,478), Expected Credit Loss on Non-Cash Loans amounting to TL 5,542 (31 December 2019: 5,873) unearned income TL 214,294 (31 December 2019: 206,480) and shareholders' equity TL 942,959 (31 December 2019: 278,253) are not taken into consideration in the currency risk calculation.
- (3). Subordinated debt are shown under securities issued..
- (4). Asset purchase commitments amounting to TL 468,092 (December 31, 2019: TL 2,203,998) and asset sales commitments amounting to TL 5,679,004 (December 31, 2019: TL 3,357,796) are included.
- (5). Non-cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.

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

**III. FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Exposure to currency risk**

10% appreciation of the TL against the following currencies as at and for the period ended December 31, 2020 and December 31, 2019 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

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

	Current Period- December 31, 2020		Prior Period- December 31, 2019	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	11,308	11,308	(622,611)	(622,611)
Euro	104,693	11,162	85,543	36,869
Other currencies	1,819	1,819	1,788	1,788
<b>Total, net <sup>(**)</sup></b>	<b>117,820</b>	<b>24,289</b>	<b>(535,280)</b>	<b>(583,954)</b>

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

<sup>(\*\*)</sup> 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.

10% appreciation of the TL against the following currencies as at and for the period ended December 31, 2020 and December 31, 2019 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	Current Period - December 31, 2020		Prior Period- December 31, 2019	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(11,308)	(11,308)	622,611	622,611
Euro	(104,693)	(11,162)	(85,543)	(36,869)
Other currencies	(1,819)	(1,819)	(1,788)	(1,788)
<b>Total, net <sup>(**)</sup></b>	<b>(117,820)</b>	<b>(24,289)</b>	<b>535,280</b>	<b>583,954</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.

<sup>(\*\*)</sup> 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 FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. INTEREST RATE RISK**

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

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

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

*Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates*

<b>Current Period - December 31, 2020</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	12,125,735	-	-	-	-	81,063,051	93,188,786
Banks	-	864,828	-	73,185	-	1,646,906	2,584,919
Financial assets at fair value through profit/loss	-	2,989,523	1,929,602	2,080,875	-	330,931	7,330,931
Interbank money market placements	187,753	-	-	-	-	-	187,753
Financial assets at fair value through other comprehensive income	13,994,500	3,359,614	16,444,406	39,628,459	7,001,193	4,028	80,432,200
Loans and receivables (*)	144,317,421	70,789,988	88,535,065	70,331,545	48,069,140	17,444,257	439,487,416
Financial assets measured at amortized cost	33,331,650	1,398,703	2,352,692	16,327,735	5,336,472	-	58,747,252
Other assets (**)	1,118,946	3,154,273	3,377,619	199,622	1,935,742	7,151,659	16,937,861
<b>Total assets</b>	<b>205,076,005</b>	<b>82,556,929</b>	<b>112,639,384</b>	<b>128,641,421</b>	<b>62,342,547</b>	<b>107,640,832</b>	<b>698,897,118</b>
<i>Liabilities:</i>							
Bank deposits	16,980,113	4,416,355	-	-	-	1,604,981	23,001,449
Other deposits	226,976,870	69,654,439	15,318,685	160,575	184	78,931,341	391,042,094
Interbank money market takings	84,509,632	3,202,765	4,873,145	6,465,922	-	-	99,051,464
Miscellaneous payables	-	-	-	-	-	11,565,365	11,565,365
Securities issued (***)	2,171,827	4,384,022	12,918,347	36,496,832	9,000,737	-	64,971,765
Funds borrowed	1,395,785	30,104,302	9,192,967	4,198,275	457,530	1,637,939	46,986,798
Other liabilities (****)	1,154,376	2,248,016	3,144,167	115,335	1,813,217	53,803,072	62,278,183
<b>Total liabilities</b>	<b>333,188,603</b>	<b>114,009,899</b>	<b>45,447,311</b>	<b>47,436,939</b>	<b>11,271,668</b>	<b>147,542,698</b>	<b>698,897,118</b>
On balance sheet long position	-	-	67,192,073	81,204,482	51,070,879	-	199,467,434
On balance sheet short position	(128,112,598)	(31,452,970)	-	-	-	(39,901,866)	(199,467,434)
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)
<b>Net position</b>	<b>(124,998,098)</b>	<b>(23,337,754)</b>	<b>64,849,256</b>	<b>80,389,332</b>	<b>49,257,415</b>	<b>(39,901,866)</b>	<b>6,258,285</b>

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

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

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

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

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

**IV. INTEREST RATE RISK (Continued)**

<b>Prior Period - December 31, 2019</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<i>Assets:</i>							
Cash and balances with CBRT	339,913	-	-	-	-	36,155,307	36,495,220
Banks	3,292,055	603,035	329,183	-	-	1,637,070	5,861,343
Financial assets at fair value through profit/loss	-	-	2,017,593	-	-	281,524	2,299,117
Interbank money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,262,635	1,864,878	7,690,645	7,541,293	4,339,160	3,924	23,702,535
Loans and receivables (*)	77,980,695	36,513,474	82,326,239	50,762,662	27,193,752	17,314,228	292,091,050
Financial assets measured at amortized cost	9,120,723	4,987,724	12,906,825	13,666,366	6,332,995	-	47,014,633
Other assets (**)	629,481	717,725	264,894	2,253,453	746,922	7,349,180	11,961,655
<b>Total assets</b>	<b>93,625,502</b>	<b>44,686,836</b>	<b>105,535,379</b>	<b>74,223,774</b>	<b>38,612,829</b>	<b>62,741,233</b>	<b>419,425,553</b>
<i>Liabilities:</i>							
Bank deposits	6,416,799	3,135,429	311,986	-	-	651,048	10,515,262
Other deposits	139,953,902	35,123,645	15,746,955	148,419	138	50,042,578	241,015,637
Interbank money market takings	21,402,308	2,582,471	221,363	740,233	-	-	24,946,375
Miscellaneous payables	-	-	-	-	-	8,531,664	8,531,664
Securities issued (***)	2,365,667	4,298,453	2,829,486	31,993,731	6,934,485	-	48,421,822
Funds borrowed	1,149,442	27,557,201	7,933,675	2,058,503	1,360,533	1,019,196	41,078,550
Other liabilities (****)	565,440	764,075	50,492	2,027,070	1,024,307	40,484,859	44,916,243
<b>Total liabilities</b>	<b>171,853,558</b>	<b>73,461,274</b>	<b>27,093,957</b>	<b>36,967,956</b>	<b>9,319,463</b>	<b>100,729,345</b>	<b>419,425,553</b>
On balance sheet long position	-	-	78,441,422	37,255,818	29,293,366	-	144,990,606
On balance sheet short position	(78,228,056)	(28,774,438)	-	-	-	(37,988,112)	(144,990,606)
Off-balance sheet long position	2,535,875	4,804,841	-	-	-	-	7,340,716
Off-balance sheet short position	-	-	(207,784)	(341,823)	(1,938,734)	-	(2,488,341)
<b>Net position</b>	<b>(75,692,181)</b>	<b>(23,969,597)</b>	<b>78,233,638</b>	<b>36,913,995</b>	<b>27,354,632</b>	<b>(37,988,112)</b>	<b>4,852,375</b>

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

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

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

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

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

**IV. INTEREST RATE RISK (Continued)**

**Average interest rates applied to monetary financial instruments <sup>(\*)</sup>:**

<b>Current Period - December 31, 2020</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	-	-	12.00
Banks	0.08	0.11	-	-
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	17.68
Financial assets at fair value through other comprehensive income	3.43	3.61	-	12.38
Loans and receivables	5.04	6.16	-	13.07
Financial assets measured at amortized cost	4.60	6.27	-	10.57
<b>Liabilities:</b>				
Bank deposits	1.08	1.89	-	19.64
Other deposits	1.54	2.75	-	14.76
Interbank money market takings	1.73	1.86	-	17.08
Miscellaneous payables	-	-	-	-
Securities issued (**)	4.04	6.07	-	14.28
Funds borrowed	1.73	2.50	-	10.68
<b>Prior Period - December 31, 2019</b>				
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and balance with CBRT	-	-	-	10.00
Banks	0.01	1.67	-	-
Financial assets at fair value through profit/loss	-	-	-	-
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	3.29	6.90	-	15.79
Loans and receivables	5.49	7.57	-	16.41
Financial assets measured at amortized cost	4.62	6.73	-	12.82
<b>Liabilities:</b>				
Bank deposits	0.50	2.65	-	11.09
Other deposits	0.45	2.16	-	10.41
Interbank money market takings	0.88	2.86	-	11.21
Miscellaneous payables	-	-	-	-
Securities issued (**)	4.04	6.13	-	12.63
Funds borrowed	2.09	4.20	-	10.99

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

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

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

**V. STOCK POSITION RISKS**

**Stock position risks arising from banking book items**

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

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

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

<b>Current Period - December 31, 2020</b>	<b>Comparison</b>		
	<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value<sup>(*)</sup></b>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>1,720,028</b>	<b>1,720,028</b>	<b>1,720,028</b>
1.Stocks Investments Group A	1,720,028	1,720,028	1,720,028
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>3,660,060</b>	<b>3,350,328</b>	<b>-</b>

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

<sup>(\*\*)</sup> The values of stocks unquoted in exchange are determined according to December 31, 2020 valuation reports prepared by independent valuation companies.

<b>Prior Period - December 31, 2019</b>	<b>Comparison</b>		
	<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value<sup>(*)</sup></b>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>766,354</b>	<b>766,354</b>	<b>766,354</b>
1.Stocks Investments Group A	766,354	766,354	766,354
2.Stock Investments Group B	-	-	-
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>2,320,370</b>	<b>2,090,926</b>	<b>-</b>

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

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

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

**V. STOCK POSITION RISKS (Continued)**

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

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

Portfolio-Current Period- December 31, 2020	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	952,286	952,286
3. Other Stocks	-	1,644,609	1,644,609	-	-
<b>4. Total</b>	-	<b>1,644,609</b>	<b>1,644,609</b>	<b>952,286</b>	<b>952,286</b>

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

Portfolio-Prior Period - December 31, 2019	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total (*)	Included in Supplementary Capital	Total (*)	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	203,193	203,193
3. Other Stocks	-	897,662	897,662	-	-
<b>4. Total</b>	-	<b>897,662</b>	<b>897,662</b>	<b>203,193</b>	<b>203,193</b>

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

**Explanations on Equity Shares Risk Arising from Banking Book**

Portfolio-Current Period - December 31, 2020	Carrying Value	Total RWA	Minimum Capital Requirement
1.Private Equity Investments	-	-	-
2.Quoted	1,720,028	1,720,028	137,602
3.Other Stocks	3,660,060	3,536,902	282,952
<b>4. Total</b>	<b>5,380,088</b>	<b>5,256,930</b>	<b>420,554</b>

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

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

**VI. LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

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

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

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

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

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

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

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 analyzes. It is observed that the impact of the Covid-19 outbreak on the Bank's liquidity adequacy is limited.

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

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

In accordance with the "Regulation on 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. Pursuant to the BRSA's regulation numbered 3520 dated March 26, 2020, it has been decided that deposit and participation banks will be exempted from Article 32 of the LCR regulation until December 31, 2020.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	9 October 2020	118.00	13 November 2020	214.91
The highest value	18 December 2020	132.76	18 December 2020	428.50

**Liquidity Coverage Ratio**

		Total unweighted value*		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>Current Period - December 31, 2020</b>					
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			123,732,027	86,329,444
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	173,056,352	89,185,064	15,509,684	8,918,506
3	Stable deposits	35,919,036	-	1,795,952	-
4	Less stable deposits	137,137,316	89,185,064	13,713,732	8,918,506
5	Unsecured wholesale funding, of which:	218,175,433	87,496,034	87,945,075	34,982,107
6	Operational deposits	123,825,140	51,721,701	30,956,285	12,930,425
7	Non-operational deposits	79,444,112	30,363,876	42,202,719	16,710,447
8	Unsecured debt	14,906,181	5,410,457	14,786,071	5,341,235
9	Secured wholesale funding			-	-
10	Additional requirements of which:	19,504,006	8,512,643	19,504,006	8,512,643
11	Outflows related to derivative exposures and other collateral requirements	19,504,006	8,512,643	19,504,006	8,512,643
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	41,871,234	37,640,118	2,093,562	1,882,006
15	Other contingent funding obligations	106,997,575	28,419,044	8,882,136	2,146,060
16	<b>TOTAL CASH OUTFLOWS</b>			<b>133,934,463</b>	<b>56,441,322</b>
<b>CASH INFLOWS</b>					
17	Secured lending	19,100	-	-	-
18	Inflows from fully performing exposures	27,242,762	8,386,835	16,222,934	5,782,699
19	Other cash inflows	18,746,496	18,622,292	18,746,496	18,622,292
20	<b>TOTAL CASH INFLOWS</b>	<b>46,008,358</b>	<b>27,009,127</b>	<b>34,969,430</b>	<b>24,404,991</b>
<b>Upper Limit Applied Amounts</b>					
21	<b>TOTAL HQLA</b>			<b>123,732,027</b>	<b>86,329,444</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>98,965,033</b>	<b>32,036,331</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>125.15</b>	<b>280.60</b>

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

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

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

In accordance with the “Regulation On Calculation of Bank’s Liquidity Coverage Ratio”, published in Official Gazette no. 28948, dated 21 March 2014, liquidity coverage ratio is calculated for the last three months are presented below.

Liquidity Coverage Ratio	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	29 November 2019	122.57	27 December 2019	412.60
The highest value	01 November 2019	138.93	13 December 2019	597.07

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

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

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

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

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

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

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

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

***Maturity analysis of assets and liabilities according to remaining maturities***

Current Period – December 31, 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
<b>Assets:</b>								
Cash and balance with CBRT	93,188,786	-	-	-	-	-	-	93,188,786
Banks	1,646,906	-	864,828	-	73,185	-	-	2,584,919
Financial assets at fair value through profit/loss	411	-	2,989,523	1,929,602	2,080,875	-	330,520	7,330,931
Interbank money market placements	-	187,753	-	-	-	-	-	187,753
Financial assets at fair value through other comprehensive income	-	620,803	689,911	13,006,691	51,706,381	14,404,386	4,028	80,432,200
Loans and receivables	-	37,371,225	15,731,263	50,114,639	213,430,390	105,395,642	17,444,257	439,487,416
Financial assets measured at amortized cost	-	830,945	1,074,881	1,795,884	31,993,405	23,052,137	-	58,747,252
Other assets (**)	2,484	2,439,038	1,789,643	4,254,252	665,028	3,276,894	4,510,522	16,937,861
<b>Total assets</b>	<b>94,838,587</b>	<b>41,449,764</b>	<b>23,140,049</b>	<b>71,101,068</b>	<b>299,949,264</b>	<b>146,129,059</b>	<b>22,289,327</b>	<b>698,897,118</b>
<b>Liabilities:</b>								
Bank deposits	1,604,981	16,980,113	4,416,355	-	-	-	-	23,001,449
Other deposits	78,931,341	226,976,870	69,654,439	15,318,685	160,575	184	-	391,042,094
Funds borrowed	-	824,407	3,525,201	21,558,737	12,025,225	9,053,228	-	46,986,798
Interbank money market takings	-	84,509,632	824,437	4,596,235	8,708,820	412,340	-	99,051,464
Securities issued (**)	-	2,011,535	3,591,668	10,136,119	33,963,371	15,269,072	-	64,971,765
Miscellaneous payables	-	7,531,662	-	-	-	-	4,033,703	11,565,365
Other liabilities	-	1,155,307	2,230,114	3,160,789	115,865	1,816,081	53,800,027	62,278,183
<b>Total liabilities</b>	<b>80,536,322</b>	<b>339,989,526</b>	<b>84,242,214</b>	<b>54,770,565</b>	<b>54,973,856</b>	<b>26,550,905</b>	<b>57,833,730</b>	<b>698,897,118</b>
<b>Liquidity gap</b>	<b>14,302,265</b>	<b>(298,539,762)</b>	<b>(61,102,165)</b>	<b>16,330,503</b>	<b>244,975,408</b>	<b>119,578,154</b>	<b>(35,544,403)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	(660,617)	297,648	827,039	1,407,502	1,798,650	-	3,670,222
Payables from Derivative Financial Instruments	-	29,625,652	12,525,176	23,070,197	10,104,711	41,554,516	-	116,880,252
Non-cash Loans	46,985,533	30,286,269	12,227,528	22,243,158	8,697,209	39,755,866	-	113,210,030
		4,613,173	8,968,987	20,361,207	18,123,777	2,183,360	-	101,236,037
<b>Prior Period – December 31, 2019</b>								
<b>Total assets</b>	<b>38,135,282</b>	<b>30,250,429</b>	<b>11,193,887</b>	<b>49,349,729</b>	<b>167,126,514</b>	<b>100,678,409</b>	<b>22,691,303</b>	<b>419,425,553</b>
<b>Total liabilities</b>	<b>50,693,626</b>	<b>177,636,008</b>	<b>50,135,444</b>	<b>34,555,444</b>	<b>40,228,999</b>	<b>23,364,343</b>	<b>42,811,689</b>	<b>419,425,553</b>
<b>Liquidity gap</b>	<b>(12,558,344)</b>	<b>(147,385,579)</b>	<b>(38,941,557)</b>	<b>14,794,285</b>	<b>126,897,515</b>	<b>77,314,066</b>	<b>(20,120,386)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Receivables from Derivative Financial Instruments	-	26,921	(195,176)	149,924	2,228,450	1,454,064	-	3,664,183
Payables from Derivative Financial Instruments	-	16,752,759	7,618,261	6,901,026	24,983,777	33,008,190	-	89,264,013
Non-cash Loans	41,091,996	16,725,838	7,813,437	6,751,102	22,755,327	31,554,126	-	85,599,830
		2,903,572	6,295,723	15,195,383	9,889,212	1,960,156	-	77,336,042

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

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

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

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

**VII. LEVERAGE RATIO**

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

The Bank’s unconsolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 6.83%. Increase in balance sheet assets and Tier I Capital transactions resulted in change in comparison with previous period (December 31, 2019: 7.92%) leverage rate. The Regulation adjudicated minimum leverage rate as 3%.

**Leverage ratio common disclosure template**

	Current Period - December 31, 2020 <sup>(*)</sup>	Prior Period - December 31, 2019 <sup>(*)</sup>
<b>On-balance sheet exposures</b>		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	676,109,078	409,983,848
2. Assets deducted in determining Basel III Tier 1 capital	(437,080)	(404,048)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	675,671,998	409,579,800
<b>Derivative exposures</b>		
4. Replacement cost	10,502,166	4,110,907
5. Add-on amount	1,484,025	1,505,390
6. Total derivative exposures	11,986,191	5,616,297
<b>Securities financing transaction exposures</b>		
7. Gross SFT assets (with no recognition of accounting netting)	7,205,104	2,947,472
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	7,205,104	2,947,472
<b>Other off-balance sheet exposures</b>		
10. Off-balance sheet exposures with gross nominal amount	206,412,229	152,808,834
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(74,625,681)	(55,296,687)
12. Total off-balance sheet exposures	131,786,548	97,512,147
<b>Capital and total exposures</b>		
13. Tier 1 capital	56,493,405	40,823,047
14. Total exposures	826,649,841	515,655,716
<b>Leverage ratio</b>		
15. Leverage ratio	6.83	7.92

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

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

**VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

<b>Current Period - December 31, 2020</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial Assets:</b>		
Receivables from Interbank Money Markets	187,753	187,753
Banks	2,584,919	2,584,919
Financial Assets at Fair Value through Profit or Loss	7,330,931	7,330,931
Financial Assets at Fair Value through Other	80,432,200	80,432,200
Comprehensive Income		
Assets Measured at Amortised Cost	58,747,252	61,125,697
Loans	439,487,416	415,477,925
<b>Financial Liabilities:</b>		
Bank Deposits	23,001,449	23,001,449
Other Deposits	391,042,094	393,116,704
Funds Borrowed	46,986,798	47,048,153
Marketable Securities	45,512,967	45,569,217
Subordinated Loans	19,458,798	19,481,535
<b>Prior Period - December 31, 2019</b>		
<b>Financial Assets:</b>		
Receivables from Interbank Money Markets	-	-
Banks	5,861,343	5,861,343
Financial Assets at Fair Value through Profit or Loss	2,299,117	2,299,117
Financial Assets at Fair Value through Other		
Comprehensive Income	23,702,535	23,702,535
Assets Measured at Amortised Cost	47,014,633	48,467,373
Loans	292,091,050	276,281,773
<b>Financial Liabilities:</b>		
Bank Deposits	10,515,262	10,515,262
Other Deposits	241,015,637	241,600,368
Funds Borrowed	41,078,550	41,098,467
Marketable Securities	29,176,369	29,895,076
Subordinated Loans	19,245,453	18,737,926

Fair values of available-for-sale financial assets and held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

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

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

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

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

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

*Classification of Fair Value Measurement*

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

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

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

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

Classification requires using observable market data if possible.

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

<b>Current Period - December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:	<b>161,038</b>	<b>7,000,000</b>	<b>169,893</b>	<b>7,330,931</b>
Debt securities	-	7,000,000	-	7,000,000
Equity securities	161,038	-	169,482	330,520
Other financial assets	-	-	411	411
Financial assets at fair value through other comprehensive income	79,838,878	589,294	4,028	80,432,200
Government debt securities	79,838,878	-	-	79,838,878
Equity securities	-	-	4,028	4,028
Other financial assets	-	589,294	-	589,294
Derivative financial assets held for trading purpose	-	8,731,143	-	8,731,143
Investments in associates and subsidiaries	1,720,028	-	3,350,328	5,070,356
<b>Total Financial Assets</b>	<b>81,719,944</b>	<b>16,320,437</b>	<b>3,524,249</b>	<b>101,564,630</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(6,085,314)	-	(6,085,314)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(6,085,314)</b>	<b>-</b>	<b>(6,085,314)</b>

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

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

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

<b>Prior Period - December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:	<b>2,129,634</b>	-	<b>169,483</b>	<b>2,299,117</b>
Debt securities	2,017,593	-	-	2,017,593
Equity securities	112,041	-	169,483	281,524
Other financial assets	-	-	-	-
Financial assets at fair value through other comprehensive income	23,128,597	570,014	3,924	23,702,535
Government debt securities	23,128,597	-	-	23,128,597
Equity securities	-	-	3,924	3,924
Other financial assets	-	570,014	-	570,014
Derivative financial assets held for trading purpose	-	4,501,361	-	4,501,361
Investments in associates and subsidiaries	766,354	-	2,090,926	2,857,280
<b>Total Financial Assets</b>	<b>26,024,585</b>	<b>5,071,375</b>	<b>2,264,333</b>	<b>33,360,293</b>
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	(3,311,949)	-	(3,311,949)
<b>Total Financial Liabilities</b>	-	<b>(3,311,949)</b>	-	<b>(3,311,949)</b>

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

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended December 31, 2020 is as follows:

<b>Level 3</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Balance at the beginning of the year	2,264,333	2,368,300
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	1,259,916	(103,967)
<b>Balance at the end of the year</b>	<b>3,524,249</b>	<b>2,264,333</b>

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

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

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

**X. SEGMENT REPORTING**

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

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

Additionally, the Bank provides banking service to its personnel and enterprises which are active in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

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

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

**X. SEGMENT REPORTING (Continued)**

Major financial statement items according to business lines:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate/ Commercial Banking</b>	<b>Treasury and Investment Operations</b>	<b>Other and Undistributed</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	10,028,223	21,368,212	15,858,781	8,335	47,263,551
Interest Expense	6,495,463	9,604,596	11,192,869	83,220	27,376,148
Net Interest Income/Losses(Net)	3,532,760	11,763,616	4,665,912	(74,885)	19,887,403
Net Fees and Commissions Income	716,192	2,416,100	262,770	-	3,395,062
Dividend Income	-	-	167,839	-	167,839
Trading Income/ Losses (Net)	-	-	(2,550,724)	-	(2,550,724)
Other Income	-	-	-	6,273,122	6,273,122
Allowance for Expected Credit Losses	1,596,280	9,106,041	958,068	109,229	11,769,618
Other Expenses	-	-	-	8,963,811	8,963,811
<b>Profit Before Taxes</b>	<b>2,652,672</b>	<b>5,073,675</b>	<b>1,587,729</b>	<b>(2,874,803)</b>	<b>6,439,273</b>
Provision for taxes	-	-	-	-	(1,428,817)
<b>Net Profit/ Loss</b>					<b>5,010,456</b>
Segment Assets	109,512,341	248,269,220	317,505,563	18,564,454	693,851,578
Subsidiaries and Associates (Net)	-	-	5,045,540	-	5,045,540
<b>TOTAL ASSETS</b>	<b>109,512,341</b>	<b>248,269,220</b>	<b>322,551,103</b>	<b>18,564,454</b>	<b>698,897,118</b>
Segment Liabilities	154,812,133	238,746,950	237,582,854	21,270,523	652,412,460
Equity	-	-	-	46,484,658	46,484,658
<b>TOTAL LIABILITIES</b>	<b>154,812,133</b>	<b>238,746,950</b>	<b>237,582,854</b>	<b>67,755,181</b>	<b>698,897,118</b>

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

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

**XI. INFORMATION ON RISK MANAGEMENT**

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

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 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 Bank and the internal capital adequacy assessment process make a significant contribution to the dissemination of the risk culture.

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

**Risk Management Strategy**

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

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

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

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

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

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

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

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

These risks are subject to stress test applications independently, and can be subject to stress test applications in an integrated way taking into account interactions between them.

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

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

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

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

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

**Risk Weighted Amounts**

	Risk Weighted Amount		Minimum Capital Requirements
	Current Period- December 31, 2020	Prior Period - December 31, 2019	Current Period- December 31, 2020
<b>1 Credit Risk (excluding counterparty credit risk) <sup>(*)</sup></b>	<b>359,439,993</b>	<b>277,444,435</b>	<b>28,755,199</b>
2 Standardised approach	359,439,993	277,444,435	28,755,199
3 Internal rating based approach	-	-	-
<b>4 Counterparty Credit Risk</b>	<b>11,764,135</b>	<b>5,781,699</b>	<b>941,131</b>
5 Standardised approach for counterparty credit risk	11,764,135	5,781,699	941,131
6 Internal model method	-	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8 Equity investments in funds – look-through approach</b>	<b>411</b>	<b>-</b>	<b>33</b>
<b>9 Equity investments in funds – mandate-based approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10 Equity investments in funds – 1250% weighted risk approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
<b>16 Market risk</b>	<b>2,612,406</b>	<b>7,080,064</b>	<b>208,993</b>
17 Standardised approach	2,612,406	7,080,064	208,993
18 Internal model approaches	-	-	-
<b>19 Operational Risk</b>	<b>23,878,837</b>	<b>20,834,673</b>	<b>1,910,307</b>
20 Basic Indicator Approach	23,878,837	20,834,673	1,910,307
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
<b>23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24 Floor adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>397,695,782</b>	<b>311,140,871</b>	<b>31,815,663</b>

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

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

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

**1. Linkages between Financial Statements and Regulatory Exposures**

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

	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
<b>Current Period - December 31, 2020</b>						
<b>Assets</b>						
Cash and balances at central bank	93,188,786	93,188,786	-	-	-	-
Banks	2,584,919	2,584,919	-	-	-	-
Receivables from money markets	187,753	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	7,330,931	330,930	-	-	-	-
Financial Assets at Fair Value through other comprehensive Income	80,432,200	80,432,200	25,744,884	-	-	-
Financial Assets Measured at amortised cost	58,747,252	58,747,252	38,158,427	-	-	-
Derivative financial assets	8,731,143	-	8,731,143	-	254,068	-
Non-performing financial assets	17,444,257	17,444,257	-	-	-	-
Allowance for expected credit losses	(21,597,063)	(13,307,248)	-	-	-	(8,289,815)
Loans (Net)	422,043,159	422,032,047	-	-	-	11,112
Non-current assets or disposal groups "held for sale" and" from discontinued operations	1,256,254	1,256,254	-	-	-	-
Investments in associates (net)	1,394,406	1,394,406	-	-	-	-
Investments in subsidiaries (net)	3,651,134	3,651,134	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Tangible assets (net)	4,825,602	4,639,425	-	-	-	186,177
Intangible assets (net)	255,263	-	-	-	-	255,263
Investment properties (net)	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-
Deferred tax assets	1,125,282	1,125,282	-	-	-	-
Other assets	17,295,840	17,420,264	-	-	-	(124,424)
<b>Total assets</b>	<b>698,897,118</b>	<b>690,939,908</b>	<b>72,634,454</b>	<b>-</b>	<b>254,068</b>	<b>(7,961,687)</b>
<b>Liabilities</b>						
Deposits	414,043,543	-	-	-	-	414,043,543
Funds borrowed	46,986,798	-	-	-	-	46,986,798
Money market funds	99,051,464	-	54,994,594	-	-	44,056,870
Marketable Securities (net)	45,512,967	-	-	-	-	45,512,967
Funds	3,053	-	-	-	-	3,053
Financial Liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivatives liabilities	6,085,314	-	6,085,314	-	251,958	-
Factoring liabilities	-	-	-	-	-	-
Lease liabilities	974,793	-	-	-	-	974,793
Provisions	2,972,407	-	-	-	-	2,972,407
Current tax liabilities	902,502	-	-	-	-	902,502
Deferred tax liabilities	-	-	-	-	-	-
Non-current liabilities or disposal groups "held for sale" and" from discontinued operations	-	-	-	-	-	-
Subordinated debts	19,458,798	-	-	-	-	19,458,798
Other liabilities	16,420,821	-	-	-	-	16,420,821
Equity	46,484,658	-	-	-	-	46,484,658
<b>Total liabilities</b>	<b>698,897,118</b>	<b>-</b>	<b>61,079,908</b>	<b>-</b>	<b>251,958</b>	<b>637,817,210</b>

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

**1. Linkages between Financial Statements and Regulatory Exposures (Continued)**

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

	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
<b>Prior Period - December 31, 2019</b>						
<b>Assets</b>						
Cash and balances at central bank	36,495,220	36,495,220	-	-	-	-
Financial assets held for trading	5,861,343	5,861,343	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
Banks	2,299,117	281,524	-	-	-	-
Receivables from money markets	23,702,535	23,702,535	4,443,499	-	-	-
Available for sale financial assets (net)	47,014,633	47,014,633	21,285,023	-	-	-
Loans and receivables	4,501,361	-	4,501,361	-	224,230	-
Factoring receivables	17,314,228	17,314,228	-	-	-	-
Held to maturity investments (net)	(15,657,790)	(12,181,535)	-	-	-	(3,476,255)
Investments in associates (net)	274,776,822	274,771,208	-	-	-	5,614
Investments in subsidiaries (net)	4,659,610	4,659,610	-	-	-	-
Investments in joint ventures (net)	1,001,717	1,001,717	-	-	-	-
Leasing receivables	1,799,559	1,799,559	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	3,018,660	2,825,994	-	-	-	192,666
Intangible assets (net)	221,103	-	-	-	-	221,103
Investment properties (net)	-	-	-	-	-	-
Tax assets	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	747,323	747,323	-	-	-	-
Other assets	11,670,112	11,699,589	-	-	-	(29,477)
<b>Total assets</b>	<b>419,425,553</b>	<b>415,992,948</b>	<b>30,229,883</b>	<b>-</b>	<b>224,230</b>	<b>(3,086,349)</b>
<b>Liabilities</b>						
Deposits	251,530,899	-	-	-	-	251,530,899
Derivative financial liabilities held for trading	41,078,550	-	-	-	-	41,078,550
Loans	24,946,375	-	24,174,182	-	-	772,193
Debt to money markets	29,176,369	-	-	-	-	29,176,369
Debt securities in issue	3,053	-	-	-	-	3,053
Funds	-	-	-	-	-	-
Various debts	3,311,949	-	3,311,949	-	224,230	-
Other liabilities	-	-	-	-	-	-
Factoring debts	928,854	-	-	-	-	928,854
Debts from leasing transactions	2,209,804	-	-	-	-	2,209,804
Derivative financial liabilities held for hedges	1,116,382	-	-	-	-	1,116,382
Provisions	-	-	-	-	-	-
Tax liability	-	-	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	19,245,453	-	-	-	-	19,245,453
Subordinated debts	12,851,592	-	-	-	-	12,851,592
Equity	33,026,273	-	-	-	-	33,026,273
<b>Total liabilities</b>	<b>419,425,553</b>	<b>-</b>	<b>27,486,131</b>	<b>-</b>	<b>224,230</b>	<b>391,939,422</b>

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

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

**1. Linkages between Financial Statements and Regulatory Exposures (Continued)**

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

<b>Current Period - December 31, 2020</b>		<b>Total</b>	<b>Items subject to credit risk</b>	<b>Items subject to securitisation</b>	<b>Items subject to counterparty credit risk</b>	<b>Items subject to market risk</b>
<b>1</b>	<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>706,858,805</b>	<b>690,939,908</b>	<b>-</b>	<b>72,634,454</b>	<b>254,068</b>
2	Liabilities carrying value amount under regulatory scope of consolidation	61,079,908	-	-	61,079,908	251,958
3	Total net amount under regulatory scope of consolidation	645,778,897	690,939,908	-	11,554,546	2,110
4	Off-balance sheet amounts	-	-	-	8,770,776	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	62,294,964	-
10	<b>Exposure amounts considered for regulatory</b>	<b>-</b>	<b>690,939,908</b>	<b>-</b>	<b>71,065,740</b>	<b>2,110</b>

<b>Prior Period - December 31, 2019</b>		<b>Total</b>	<b>Items subject to credit risk</b>	<b>Items subject to securitisation</b>	<b>Items subject to counterparty credit risk</b>	<b>Items subject to market risk</b>
<b>1</b>	<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>422,511,902</b>	<b>415,992,948</b>	<b>-</b>	<b>30,229,883</b>	<b>224,230</b>
2	Liabilities carrying value amount under regulatory scope of consolidation	27,486,131	-	-	27,486,131	224,230
3	Total net amount under regulatory scope of consolidation	395,025,771	415,992,948	-	2,743,752	-
4	Off-balance sheet amounts	-	-	-	5,528,753	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	24,727,220	-
10	<b>Exposure amounts considered for regulatory</b>	<b>-</b>	<b>415,992,948</b>	<b>-</b>	<b>30,255,973</b>	<b>-</b>

**c) Explanations of differences between accounting and regulatory exposure amounts**

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

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

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

**2. Credit Risk Explanations**

***a) General Information on Credit Risk***

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

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

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

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

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

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

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

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

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

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

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

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

**2. Credit Risk Explanations (Continued)**

**Credit quality of assets**

Current Period- December 31, 2020	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	17,444,257	422,043,159	21,587,738	417,899,678
2 Debt Securities	-	135,055,322	368,140	134,687,182
3 Off-balance sheet exposure	473,440	168,273,427	43,756	168,703,111
<b>4 Total</b>	<b>17,917,697</b>	<b>725,371,908</b>	<b>21,999,634</b>	<b>721,289,971</b>

Prior Period - December 31, 2019	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	17,314,228	274,776,822	15,643,462	276,447,588
2 Debt Securities	-	71,009,140	10,448	70,998,692
3 Off-balance sheet exposure	689,503	125,141,371	57,760	125,773,114
<b>4 Total</b>	<b>18,003,731</b>	<b>470,927,333</b>	<b>15,711,670</b>	<b>473,219,394</b>

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

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>1 Defaulted Loans and debt securities at end of the previous reporting period</b>	<b>17,314,228</b>	<b>10,800,157</b>
2 Loans and debt securities that have defaulted since the last reporting period	5,602,302	9,150,200
3 Returned to non-defaulted status	1,649,753	14,992
4 Amounts written-off	890,789	-
5 Other Changes	(2,931,731)	(2,621,137)
<b>6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>17,444,257</b>	<b>17,314,228</b>

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

**Additional disclosure related to the credit quality of assets:**

As per the provisions of “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Set Aside” published by BRSA, capital and interest payments, and loans unpaid within their maturity or on their due date are accepted to be overdue. Loans the collection of whose capital and interest payments are overdue more than 90 days (This regulation will be applied temporarily for 180 days until 30 June 2021) and the loans whose debtors are decided by the Bank to have lost their credit ratings are deemed to be depreciated or loans for which provision is allocated.

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

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

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

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

**2. Credit Risk Explanations (Continued)**

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

	Credit receivables/risks December 31, 2020	Credit receivables/risks December 31, 2019
Domestic	393,152,708	253,403,633
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,469,341	1,643,305
Other	27,421,110	19,729,884
<b>Total</b>	<b>422,043,159</b>	<b>274,776,822</b>

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

*Breakdown of loan receivables by sector*

<b>Current Period - December 31, 2020</b>			
<b>Breakdown of loan receivables by sector</b>	<b>Cash Loans</b>	<b>Impaired Loans</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>2,996,323</b>	<b>162,659</b>	<b>124,644</b>
Farming and raising livestock	2,895,930	148,578	114,970
Forestry	27,213	3,165	2,693
Fishing	73,180	10,916	6,981
<b>Manufacturing</b>	<b>106,750,487</b>	<b>4,082,623</b>	<b>3,157,896</b>
Mining and Quarrying	9,065,755	260,952	221,327
Production	77,238,748	2,938,233	2,322,938
Electricity, Gas, Water	20,445,984	883,438	613,631
<b>Construction</b>	<b>39,875,209</b>	<b>3,919,908</b>	<b>2,721,953</b>
<b>Services</b>	<b>155,090,673</b>	<b>6,484,805</b>	<b>5,203,694</b>
Wholesale and Retail Trade	57,745,990	4,231,887	3,447,037
Accommodation and Dining	14,855,232	231,806	181,606
Transportation and Telecommunication	47,483,626	569,034	466,628
Financial Institutions	11,089,083	51,975	42,405
Real Estate and Rental Services	15,697,471	227,035	192,807
Professional Services	4,027,100	960,270	701,168
Educational Services	2,362,254	102,166	78,410
Health and Social Services	1,829,917	110,632	93,633
<b>Other</b>	<b>117,330,467</b>	<b>2,794,262</b>	<b>2,099,062</b>
<b>Total</b>	<b>422,043,159</b>	<b>17,444,257</b>	<b>13,307,249</b>
<b>Prior Period - December 31, 2019</b>			
<b>Breakdown of loan receivables by sector</b>	<b>Cash Loans</b>	<b>Impaired Loans</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>2,105,050</b>	<b>333,773</b>	<b>244,603</b>
Farming and raising livestock	2,057,700	320,384	232,349
Forestry	20,350	10,124	9,343
Fishing	27,000	3,265	2,911
<b>Manufacturing</b>	<b>66,254,019</b>	<b>4,186,138</b>	<b>2,823,312</b>
Mining and Quarrying	5,652,410	248,310	195,194
Production	45,402,790	2,974,874	2,138,987
Electricity, Gas, Water	15,198,819	962,954	489,131
<b>Construction</b>	<b>25,265,606</b>	<b>2,242,515</b>	<b>1,559,519</b>
<b>Services</b>	<b>105,071,311</b>	<b>7,625,936</b>	<b>5,136,698</b>
Wholesale and Retail Trade	38,356,445	3,934,402	2,879,944
Accommodation and Dining	8,938,020	1,680,131	899,338
Transportation and Telecommunication	33,873,007	645,018	482,240
Financial Institutions	7,861,830	49,744	27,896
Real Estate and Rental Services	10,911,102	213,600	145,177
Professional Services	2,460,744	900,140	554,488
Educational Services	1,537,485	87,847	54,354
Health and Social Services	1,132,678	115,054	93,261
<b>Other</b>	<b>76,080,836</b>	<b>2,925,866</b>	<b>2,417,403</b>
<b>Total</b>	<b>274,776,822</b>	<b>17,314,228</b>	<b>12,181,535</b>

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

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

**2. Credit Risk Explanations (Continued)**

*Breakdown by outstanding maturity*

<b>Current Period - December 31, 2020</b>					
<b>Up to 1 Month</b>	<b>1 – 3 Months</b>	<b>3 – 12 Months</b>	<b>1 – 5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
37,371,225	15,731,263	50,114,639	213,430,390	105,395,642	<b>422,043,159</b>
<b>Prior Period - December 31, 2019</b>					
<b>Up to 1 Month</b>	<b>1 – 3 Months</b>	<b>3 – 12 Months</b>	<b>1 – 5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
22,700,139	9,340,756	40,796,713	123,640,106	78,299,108	<b>274,776,822</b>

*Amounts of provision allocated receivables (According to the definition used by the Bank in accounting) based on geographical area and sector and amounts deducted from the assets with the related provisions*

*Breakdown of the provision allocated receivables and related provisions by geographical regions*

<b>Current Period Sonu - December 31, 2020</b>		
<b>Geographical area</b>	<b>Loans Receivables(Risks)</b>	<b>Provisions</b>
Domestic	17,372,809	13,275,264
European Union Countries	-	-
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	71,448	31,985
Other	-	-
<b>Total</b>	<b>17,444,257</b>	<b>13,307,249</b>

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

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

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

*Aging analysis for overdue receivables*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
31-60 days	2,451,660	1,814,595
61-90 days	1,888,537	2,089,201
91-180 days	2,062,238	-

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

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

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

**2. Credit Risk Explanations (Continued)**

*Breakdown of restructured receivables based on whether or not provisions are allocated*

Payment Plan Extensions	Current Period - December 31, 2020	Prior Period - December 31, 2019
Standard Loans	395,256	336,348
Loans Under Close Monitoring	15,426,911	14,909,591
Non-performing Loans	1,520,159	972,918

**b) Credit Risk Mitigation**

**Qualitative disclosure on credit risk mitigation techniques**

Credit risk mitigation techniques in the Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation", simple financial guarantee method is used for financial guarantees. Cash and cash equivalents and guarantees are used to mitigate credit risk

Policies regarding the valuation of financial collateral and the appraisal of the valuations and policies and procedures for the valuation of real estate established for the collateral of mortgage-backed loans, which are an asset class, have been established. These policies and procedures have been prepared in accordance with the "Communiqué on Credit Risk Mitigation" and cover the minimum requirements for collateral valuation and management.

The Bank receives collaterals such as mortgages, sureties/guarantees and financial collaterals for the loans given.

**Credit risk mitigation techniques**

Current Period Sonu - December 31, 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	302,041,404	115,858,274	81,963,062	79,568,632	51,767,847	-	-
2 Debt Securities	134,687,182	-	-	-	-	-	-
<b>3 Total</b>	<b>436,728,586</b>	<b>115,858,274</b>	<b>81,963,062</b>	<b>79,568,632</b>	<b>51,767,847</b>	-	-
4 Of which Defaulted	17,444,257	-	-	-	-	-	-

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

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

**2. Credit Risk Explanations (Continued)**

*c) Credit risk under standardized approach*

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

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

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

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Credit risk exposure and credit risk mitigation effects

	Current Period - December 31, 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	Conversion Factors	On-balance sheet amount	Off-balance sheet amount	Conversion Factors	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Conversion Factors	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	267,877,091	706,727	-	279,881,167	418,309	-	418,309	107,345	-	-	4,801,103	0.04%	
2	Exposures to regional governments or local authorities	9,399,917	435,493	-	9,399,917	211,087	-	211,087	4,801,103	-	-	431,845	49.95%	
3	Exposures to public sector entities	326,915	236,428	-	326,915	9,335	-	9,335	-	-	-	-	97.95%	
4	Exposures to multilateral development banks	-	9,335	-	-	-	-	-	-	-	-	-	-	
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions	15,963,547	4,422,741	-	15,963,547	2,987,847	-	2,987,847	7,902,405	-	-	7,902,405	41.70%	
7	Exposures to corporates	175,863,238	131,980,215	-	163,859,162	52,187,220	-	52,187,220	210,881,856	-	-	210,881,856	97.61%	
8	Retail exposures	91,811,683	49,011,543	-	91,811,683	5,537,565	-	5,537,565	13,735,851	-	-	13,735,851	74.21%	
9	Exposures secured by residential property	38,627,320	1,547,589	-	38,627,320	617,967	-	617,967	29,651,253	-	-	29,651,253	35.00%	
10	Exposures secured by commercial real estate	40,625,947	6,091,631	-	40,625,947	3,605,144	-	3,605,144	2,023,660	-	-	2,023,660	67.04%	
11	Past-due loans	3,841,385	-	-	3,841,385	-	-	-	301,403	-	-	301,403	52.68%	
12	Higher-risk categories by the Agency Board	195,994	6,229	-	195,994	4,941	-	4,941	-	-	-	-	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	-	-	411	100.00%	
16	Other assets	16,675,293	-	-	16,675,293	-	-	-	12,106,290	-	-	12,106,290	72.60%	
17	Investment in equities	5,256,930	-	-	5,256,930	-	-	-	5,256,930	-	-	5,256,930	100.00%	
18	<b>Total</b>	<b>666,465,671</b>	<b>194,447,931</b>	-	<b>666,465,671</b>	<b>65,693,371</b>	-	<b>65,693,371</b>	<b>359,440,404</b>	-	-	<b>359,440,404</b>	<b>49.09%</b>	
	Prior Period - December 31, 2019				Exposures before Credit Conversion Factors and CRM				Exposures post-Credit Conversion Factors and CRM				RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	Conversion Factors	On-balance sheet amount	Off-balance sheet amount	Conversion Factors	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Conversion Factors	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	122,898,061	961,301	-	132,256,669	520,484	-	520,484	14,499,556	-	-	14,499,556	10.92%	
2	Exposures to regional governments or local authorities	10,466,717	644,167	-	10,466,717	315,989	-	315,989	5,390,069	-	-	5,390,069	49.99%	
3	Exposures to public sector entities	331,505	278,023	-	331,505	129,094	-	129,094	454,339	-	-	454,339	98.64%	
4	Exposures to multilateral development banks	-	11,952	-	-	-	-	-	-	-	-	-	-	
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	
6	Exposures to institutions and banks	12,563,097	5,630,625	-	12,563,097	3,675,372	-	3,675,372	6,914,395	-	-	6,914,395	42.58%	
7	Exposures to corporates	123,922,958	100,499,288	-	114,564,350	39,129,888	-	39,129,888	150,646,555	-	-	150,646,555	98.02%	
8	Retail exposures	65,771,402	38,019,282	-	65,771,402	4,359,210	-	4,359,210	52,136,129	-	-	52,136,129	74.34%	
9	Exposures secured by residential property	28,407,373	1,186,556	-	28,407,373	486,084	-	486,084	10,112,710	-	-	10,112,710	35.00%	
10	Exposures secured by commercial real estate	29,333,342	4,389,453	-	29,333,342	3,055,565	-	3,055,565	20,134,270	-	-	20,134,270	62.16%	
11	Past-due loans	5,133,585	-	-	5,133,585	-	-	-	2,949,679	-	-	2,949,679	57.46%	
12	Higher-risk categories by the Agency Board	151,421	54,967	-	151,421	46,383	-	46,383	296,706	-	-	296,706	150.00%	
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	
15	Exposures in the form of units or shares in collective investment undertakings	13,930,882	-	-	13,930,882	-	-	-	10,823,303	-	-	10,823,303	77.69%	
16	Other receivables	3,086,724	-	-	3,086,724	-	-	-	3,086,724	-	-	3,086,724	100.00%	
17	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-	
18	<b>Total</b>	<b>415,997,067</b>	<b>151,675,614</b>	-	<b>415,997,067</b>	<b>51,730,021</b>	-	<b>51,730,021</b>	<b>277,444,435</b>	-	-	<b>277,444,435</b>	<b>59.32%</b>	

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current 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	280,227,913	-	-	-	-	-	-	71,563	-	-	-	280,299,476
2	Exposures to regional governments or local authorities	8,675	-	206	-	9,602,123	-	-	-	-	-	-	9,611,004
3	Exposures to public sector entities	7,236	-	2,238	-	-	-	431,397	-	-	-	-	440,871
4	Exposures to multilateral development banks	9,335	-	-	-	-	-	-	-	-	-	-	9,335
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	678,058	-	5,149,131	-	12,503,252	-	620,953	-	-	-	-	18,951,394
7	Exposures to corporates	872,927	-	2,214,360	-	5,040,222	-	207,918,873	-	-	-	-	216,046,382
8	Retail exposures	489,162	-	736,387	-	-	96,123,699	-	-	-	-	-	97,349,248
9	Exposures secured by residential property	-	-	-	39,245,287	-	-	-	-	-	-	-	39,245,287
10	Exposures secured by commercial real estate	-	-	-	29,159,676	-	-	15,071,415	-	-	-	-	44,231,091
11	Past-due loans	-	-	-	3,643,888	-	-	189,060	8,437	-	-	-	3,841,385
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	200,955	-	-	-	200,955
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	-	-	-	-	-	-	5,256,930	-	-	-	-	5,256,930
17	Investments in equities	3,169,013	-	1,749,983	-	-	-	11,756,297	-	-	-	-	16,675,293
18	<b>Total</b>	<b>285,462,319</b>	<b>-</b>	<b>9,852,305</b>	<b>39,245,287</b>	<b>59,949,161</b>	<b>96,123,699</b>	<b>241,245,336</b>	<b>280,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>732,159,042</b>
<b>Prior Period - December 31, 2019</b>	<b>Asset Classes/ Risk Weight*</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% (secured by real estate)</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>Other Risk Weights</b>	<b>Total credit risk exposure amount (After CCF and CRM)</b>
1	Exposures to central governments or central banks	103,900,868	-	-	-	-	28,814,872	-	-	61,413	-	-	132,777,153
2	Exposures to regional governments or local authorities	2,464	-	-	175	-	10,780,067	-	-	-	-	-	10,782,706
3	Exposures to public sector entities	5,716	-	-	680	-	-	454,203	-	-	-	-	460,599
4	Exposures to multilateral development banks	11,952	-	-	-	-	-	-	-	-	-	-	11,952
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	630,633	-	3,775,829	-	11,345,555	-	486,452	-	-	-	-	16,238,469
7	Exposures to corporates	888,738	-	468,148	-	3,568,854	-	148,768,498	-	-	-	-	153,694,238
8	Retail exposures	387,161	-	3,111,744	-	-	69,431,707	-	-	-	-	-	70,130,612
9	Exposures secured by residential property	-	-	-	28,893,457	-	-	-	-	-	-	-	28,893,457
10	Exposures secured by commercial real estate	-	-	-	24,509,275	-	-	7,879,632	-	-	-	-	32,388,907
11	Past-due loans	-	-	-	4,398,306	-	-	704,785	30,494	-	-	-	5,133,585
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	197,804	-	-	-	197,804
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	3,086,724	-	-	-	-	3,086,724
16	Other assets	-	-	-	-	-	-	10,697,443	-	-	-	-	10,697,443
17	Investments in equities	2,604,124	-	629,315	-	-	-	69,431,707	172,077,737	289,711	-	-	172,077,737
18	<b>Total</b>	<b>108,431,656</b>	<b>-</b>	<b>5,185,891</b>	<b>28,893,457</b>	<b>83,416,929</b>	<b>69,431,707</b>	<b>172,077,737</b>	<b>289,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>467,727,088</b>

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

**3. Counterparty Credit Risk Explanations**

**Qualitative disclosure on counterparty credit risk**

The counterparty credit risk that may be incurred by the counterparty that is a party to a transaction that is liable to both parties due to default before the final payment in the cash flow is managed within the Bank's "Counterparty Credit Risk Management Policy Document". The counterparty credit risk amounts calculated using the "Fair Value Valuation Method" within the scope of the "Communiqué on Credit Risk Mitigation" are calculated on the basis of the portfolios in the trading accounts and banking accounts, and these amounts are used within the scope of capital adequacy calculations. Various scenarios and stress tests are applied to the counterparty credit risk.

Processes related to counterparty credit risk management activities have been written down. In the direction of the policy document and measurement results, activities of evaluating, analyzing and reporting the counterparty credit risk and determining the effect of the capital requirement of the bank are being continued.

In addition to the measurement activities, sensitivity and scenario analysis are used to evaluate the resistance of the Bank to the changes that may be experienced in risk factors against economic developments. Monthly stress test reports include analyzes of counterparty credit risk. The distributions of positions subject to counterparty credit risk calculation, the ratings of these counterparties from independent rating agencies and transaction concentration are regularly monitored by the Risk Management Department. The Risk Management Department monitors the level of concentration in terms of the counterparty of derivative transactions. The collateral process of derivative transactions, repo, marketable securities transactions etc. with foreign banks is covered with ISDA and ISMA contracts and the collateral agreements regarding the mutual rights and obligations for the transactions between the two parties.

Treasury transactions are valued on a daily basis over the market prices taking into account these contracts and rules from the beginning to the closing of the transaction and the difference between the favorable and unfavorable values of the transactions against the market prices cause the settlement call movements by agreeing with the related banks. In compliance with the limitations of the bank which exposed to counterparty risk, the Bank follows the limit follow up system. Limits, which are defined as loan limits and compromise limits in the system, are monitored instantaneously.

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

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

**3. Counterparty Credit Risk Explanations (Continued)**

**Counterparty credit risk (CCR) approach analysis**

Current 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	1,209,536			8,770,776	4,349,358
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method (for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk- (for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					62,294,964	4,914,070
5	A comprehensive method for credit risk reduction- (for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					-	-
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	<b>Total</b>						<b>9,263,428</b>
Prior Period - December 31, 2019		Renewal Cost	Potentially the amount of credit risk	EBPRT	Legal risk Alpha used for the calculation of the amount of	The amount of risk after credit risk mitigation	Risk-weighted amounts
1	Fair value method - KKR (for derivatives)	4,141,762	1,386,991			5,528,753	2,980,565
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method (for derivative financial instruments, repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)			-	-	-	-
4	Simple methods that can be used to mitigate credit risk- (for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					24,727,220	1,283,622
5	A comprehensive method for credit risk reduction- (for derivative financial instruments, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					-	-
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
6	<b>Total</b>						<b>4,264,187</b>

**Capital requirement for credit valuation adjustment (CVA)**

Current Period - December 31, 2020		EAD post CRM	RWA
<b>Total portfolios subject to the Advanced CVA capital obligation</b>		-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	8,770,776	2,487,581
4	Total subject to the CVA capital obligation	8,770,776	2,487,581
Prior Period - December 31, 2019		EAD post CRM	RWA
<b>Total portfolios subject to the Advanced CVA capital obligation</b>		-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,528,753	1,491,631
4	Total subject to the CVA capital obligation	5,528,753	1,491,631

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

3. Counterparty Credit Risk Explanations (Continued)

Standardized approach CCR exposures by risk class and risk weights

Current Period - December 31, 2020

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Diger	Total Credit Exposures(*)
Claims from central governments and central banks	26,969,395	-	-	-	-	-	-	-	-	-
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	11,950,554	-	19,275,061	-	5,973,404	-	432,657	-	360,620	7,281,584
Corporates	992,708	3,137,447	-	-	-	-	1,603,665	-	202,421	1,921,458
Retail portfolios	65,032	653,730	-	-	-	7,696	-	-	17,363	71,492
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	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>39,977,689</b>	<b>3,793,810</b>	<b>19,275,062</b>	<b>-</b>	<b>5,973,404</b>	<b>7,696</b>	<b>2,038,078</b>	<b>-</b>	<b>580,404</b>	<b>9,276,553</b>

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

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

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

3. Counterparty Credit Risk Explanations (Continued)

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

Prior Period - December 31, 2019

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Diğer	Total Credit Exposures(*)
Claims from central governments and central banks	3,408,403	-	-	-	122,047	-	-	-	-	61,024
Claims from regional and local governments	-	3,385	14	-	-	-	-	-	-	341
Claims from administration and non commercial entity	-	1,124	-	-	-	-	22	-	-	134
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	11,184,337	-	2,666,296	-	4,149,573	-	160,209	-	716,688	2,782,588
Corporates	2,251,432	4,956,078	-	-	-	-	898,689	-	462,646	1,403,550
Retail portfolios	165,869	268,519	-	-	-	19,975	-	-	29,842	42,430
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17,010,041</b>	<b>5,229,106</b>	<b>2,666,310</b>	<b>-</b>	<b>4,271,620</b>	<b>19,975</b>	<b>1,058,920</b>	<b>-</b>	<b>1,209,176</b>	<b>4,290,067</b>

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

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

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

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

**3. Counterparty Credit Risk Explanations (Continued)**

**Collaterals for counterparty credit risk**

Current 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	-	-	-	-	41,623,658	-
Cash-foreign currency	-	-	-	-	22,279,653	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>63,903,311</b>	-

Prior Period - December 31, 2019	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	19,976,812	-
Cash-foreign currency	-	-	-	-	5,751,709	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>25,728,521</b>	-

**Loan Derivatives**

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

Prior Period - December 31, 2019	Protection bought	Protection sold
<b>Notionals</b>	-	-
Single-name credit default swaps	1,090,254	2,263,507
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>1,090,254</b>	<b>2,263,507</b>
<b>Fair Values</b>	<b>145,639</b>	<b>498,926</b>
Positive fair values (asset)	145,639	-
Negative fair values (liability)	-	498,926

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

**3. Counterparty Credit Risk Explanations (Continued)**

**Central counterparty risks**

<b>Current Period - December 31, 2020</b>		<b>Exposure at default (post- CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		<b>13,126</b>
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	<b>Exposures to non-QCCPs (total)</b>		<b>-</b>
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-
<b>Prior Period - December 31, 2019</b>		<b>Exposure at default (post- CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		<b>25,881</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,209,176	24,183
3	(i) OTC Derivatives	207,874	4,157
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	1,001,302	20,026
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	650,000	1,698
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>		<b>-</b>
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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

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

**4. Explanations on Market Risk**

**Qualitative disclosure requirements related to market risk**

As a result of fluctuations in the financial market, the Bank is exposed to market risk, depending on the exchange rates, interest rates and changes in the market prices of the shares.

In order to evaluate the market risk, liquidity risk, interest risk or condensation risk that Bank is facing or could face, with the policies and limitations that are lineup for to control the risks there is “Market Risk Management Directorate” and it carries out the market risk management. In this extent, this Directorate design the risk measurement models, measurement results and getting regular reports from the other analyzes and give notices from the report of the analyzes to the necessary departments.

Market risks get measured and monitored with the internal models that are parallel to international applications. This market risk management process continues by including buying and selling balance sheet both internally and externally, meeting the legal necessities, being able to analyze the all risks that can be caused from buying-selling activities and by identifying the market risk that can be caused by all portfolios.

Risk management of the Bank is important in order to be understood by the all management stages and be able to get an opportunity to manage risk. In addition to that, it is similarly important to handle the loss that might cause when a risk occurs. Therefore measurements must cover the evaluations for the fund needs near the size of the risk and evaluations of the conditions that caused it. By using the methods of scenario and stress test, it is possible to see risk levels and needs of funds that can be generated from different circumstances and risky conditions.

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. Only by using the 99% of trust range, other measurements that are subject to risk can be daily calculated by using the historical stimulation and Monte Carlo stimulation. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

**Market Risk- Standardized approach**

		Current Period – December 31, 2020	Prior Period – December 31, 2019
		RAT	RAT
<b>Outright products</b>			
1	Interest rate risk (general and specific)	1,400,687	988,513
2	Stock risk (general and specific)	-	-
3	Foreign exchange risk	1,188,943	6,090,545
4	Commodity risk	-	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	22,776	1,006
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>2,612,406</b>	<b>7,080,064</b>

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

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

**5. Explanations on Operational Risk**

The “Basic Indicator Method” that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 is used in the operational risk calculation of the Bank. Under the scope of the calculation, the value found by multiplying the average of the fifteen percent of the year-end gross income amounts realized by the Bank over the last three years by twelve and half is considered as the operational risk.

Annual gross revenue is calculated by deducting profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non-interest income.

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

<b>Current Period - December 31, 2020</b>	<b>2PP</b>	<b>1PP</b>	<b>CP Amount</b>	<b>Total/Positive GI year number</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross income	10,264,039	13,854,660	14,087,440	12,735,380	15	1,910,307
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	23,878,837

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

**6. Interest Rate Risk Related to Banking Book**

Bank has evaluated to Interest rate risk arising from on-balance sheet and off-balance sheet positions in banking accounts in accordance with “Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method” performs and reports on these measurement based results and analyzes on weekly and monthly periods. In addition, in the Asset-Liability Management Committee meetings, the sensitivity of the active, passive and off-balance sheet items to the interest rate is evaluated taking into consideration the market developments.

In line with the management of interest rate risk arising from banking accounts; Scenario analysis, gap analysis to date of re-pricing, behavioral analysis, core demand deposit level, duration and maturity mismatch metrics, option risk, base risk and yield curve risk components are followed together.

<b>Current Period - December 31, 2020</b>	<b>Currency</b>	<b>Applied Shock (+/- x basis points)*</b>	<b>Gains/Losses</b>	<b>Gains / Shareholders' Equity Losses/ Shareholders' Equity</b>
1	TRY	500/(400)	(7,823,623)/7,246,356	(11.97%) / 11.09%
2	EURO	200/(200)	(1,342,194)/(206,353)	(1.50%) / 0.82%
3	USD	200/(200)	(980,927)/535,680	(2.05%) / (0.32%)
<b>Total (for negative shocks)</b>			<b>7,575,682</b>	<b>11.59%</b>
<b>Total (for positive shocks)</b>			<b>(10,146,744)</b>	<b>(15.53%)</b>

<b>Prior Period - December 31, 2019</b>	<b>Currency</b>	<b>Applied Shock (+/- x basis points)*</b>	<b>Gains/Losses</b>	<b>Gains / Shareholders' Equity Losses/ Shareholders' Equity</b>
1	TRY	500/(400)	(3,460,645)/ 2,719,186	(6.69%) / 5.26%
2	EURO	200/(200)	(1,109,163) / 50,912	(2.15%) / 0.10%
3	USD	200/(200)	(132,261) / 340,663	(0.26%) / 0.66%
<b>Total (for negative shocks)</b>			<b>3,110,761</b>	<b>6.02%</b>
<b>Total (for positive shocks)</b>			<b>(4,702,069)</b>	<b>(9.10%)</b>

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**SECTION FIVE**

**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. INFORMATION AND DISCLOSURES RELATED TO ASSETS**

**1. Cash and balances with Central Bank**

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Cash	1,681,202	1,416,757	1,450,294	1,003,880
Central Bank of the Republic of Turkey (*)	12,390,091	75,644,781	529,120	32,733,306
Other	590,716	1,465,239	408,346	370,274
<b>Total</b>	<b>14,662,009</b>	<b>78,526,777</b>	<b>2,387,760</b>	<b>34,107,460</b>

(\*) TL 26,455,637 (December 31, 2019: TL 11,454,725) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

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

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 1% to 6% (December 31, 2019: ranging from 1% to 7%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 5% to 22% in US Dollar or Euro (December 31, 2019: ranging from 5% to 21%).

***Balances with the Central Bank of Republic of Turkey***

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Unrestricted demand deposits	12,069,426	36,135,248	324,724	21,278,581
Restricted demand deposits	259,120	-	189,108	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	13,053,896	-	-
Reserve Deposits	61,545	26,455,637	15,288	11,454,725
<b>Total</b>	<b>12,390,091</b>	<b>75,644,781</b>	<b>529,120</b>	<b>32,733,306</b>

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

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

As of December 31, 2020, the balance of financial assets at fair value through profit or loss given as collateral is 7,000,000 TL. (31 December 2019: None.)

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

None.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Positive differences on derivative financial assets held for trading purpose*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Forward transactions	50,686	9,940	64,165	1,418
Swap transactions	7,086,102	1,581,652	3,524,230	908,654
Futures	-	-	-	-
Options	1,420	1,343	205	2,689
Other	-	-	-	-
<b>Total</b>	<b>7,138,208</b>	<b>1,592,935</b>	<b>3,588,600</b>	<b>912,761</b>

The 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 31 December 2020, the fair value of this transaction is TL 247,734, with a nominal amount of 120 million USD and an average maturity of 4.6 years. (As of 31 December 2019, the fair value of this transaction was TL 45,566, with a nominal amount of 100 million USD, and an average maturity of 4.5 years.)

**3. Information on banks**

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Banks				
Domestic	26	-	57	445,369
Foreign	-	2,584,893	-	5,415,917
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>26</b>	<b>2,584,893</b>	<b>57</b>	<b>5,861,286</b>

*Due from foreign banks*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Unrestricted Balance	Restricted Balances (**)	Unrestricted Balance	Restricted Balances (**)
EU Countries	218,872	-	323,817	-
USA, Canada	741,114	1,005,650	4,104,101	588,136
OECD Countries (*)	235,131	-	44,882	-
Off-shore Banking Regions	626	-	291	-
Others	383,500	-	354,690	-
<b>Total</b>	<b>1,579,243</b>	<b>1,005,650</b>	<b>4,827,781</b>	<b>588,136</b>

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

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

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

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

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FP
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	4,241,350	34,972,671	397,624	2,528,365
Other	-	-	-	-
<b>Total</b>	<b>4,241,350</b>	<b>34,972,671</b>	<b>397,624</b>	<b>2,528,365</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

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

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Government bonds	13,031,822	3,901,929	2,894,007	-
Treasury bills	-	-	-	-
Other debt securities	-	8,811,133	-	1,549,492
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>13,031,822</b>	<b>12,713,062</b>	<b>2,894,007</b>	<b>1,549,492</b>

*Information on financial assets at fair value through other comprehensive income*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Debt securities</b>	<b>80,798,466</b>	<b>23,703,903</b>
Quoted on a Stock Exchange	80,710,286	23,638,802
Unquoted	88,180	65,101
<b>Equity securities</b>	<b>4,028</b>	<b>3,924</b>
Quoted on a Stock Exchange	-	-
Unquoted	4,028	3,924
<b>Provisions for impairment losses (-)</b>	<b>370,294</b>	<b>5,292</b>
<b>Total</b>	<b>80,432,200</b>	<b>23,702,535</b>

5. Information on loans

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

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	<b>32,511</b>	-	<b>29,783</b>
Legal entities	-	32,511	-	29,783
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>470,993</b>	-	<b>323,645</b>	-
<b>Total</b>	<b>470,993</b>	<b>32,511</b>	<b>323,645</b>	<b>29,783</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Information on loans classified as standart loans and under close monitoring loans that have been restructured*

**Current Period - December 31, 2020**

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>388,012,748</b>	<b>18,603,500</b>	<b>2,840,854</b>	<b>12,586,057</b>
Loans given to enterprises	142,380,085	10,267,775	2,123,492	11,878,202
Export loans	12,139,158	154,374	-	-
Import loans	-	-	-	-
Loans given to financial sector	8,319,904	869	-	227
Consumer loans	94,965,604	462,764	113,847	672,195
Credit cards	14,393,403	177,385	66,585	-
Other	115,814,594	7,540,333	536,930	35,433
<b>Specialized lending</b>	-	-	-	-
<b>Other receivables</b>	-	-	-	-
<b>Total</b>	<b>388,012,748</b>	<b>18,603,500</b>	<b>2,840,854</b>	<b>12,586,057</b>

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 169,482. This amount is presented under “Financial assets at fair value through profit or loss” in the financial statements. As of 31 December 2020, the amount is TL 1,067,728 (31 December 2019: TL 802,278) and the provision is TL 341,044 (31 December 2019: TL 65,100).

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

Prior Period - December 31, 2019

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>243,161,792</b>	<b>16,705,439</b>	<b>1,152,718</b>	<b>13,756,873</b>
Loans given to enterprises	75,210,538	9,023,412	263,784	11,890,861
Export loans	9,567,565	597,917	106,759	4,283
Import loans	-	-	-	-
Loans given to financial sector	4,839,489	-	-	-
Consumer loans	55,352,529	825,615	22,482	798,447
Credit cards	10,512,442	226,655	85,665	-
Other	87,679,229	6,031,840	674,028	1,063,282
<b>Specialized lending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>243,161,792</b>	<b>16,705,439</b>	<b>1,152,718</b>	<b>13,756,873</b>

Current Period - December 31, 2020

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	3,168,803	-
Significant Increase in Credit Risk	-	5,111,686

Prior Period - December 31, 2019

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,602,198	-
Significant Increase in Credit Risk	-	1,859,729

Maturity analysis of cash loans

	Loans under close monitoring		
	Standard Loans	Loans not Subject to Restructuring	Loans Restructured
<b>Current Period - December 31, 2020</b>			
Short-term Loans	73,415,029	4,133,792	83,326
Medium, Long-term Loans	314,597,719	14,469,708	15,343,585

	Loans under close monitoring		
	Standard Loans	Loans not Subject to Restructuring	Loans Restructured
<b>Prior Period - December 31, 2019</b>			
Short-term Loans	57,669,807	3,910,557	1,592,206
Medium, Long-term Loans	185,491,985	12,794,882	13,317,385

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

<b>Current Period - December 31, 2020</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer loans – TL</b>	<b>1,167,352</b>	<b>89,104,078</b>	<b>90,271,430</b>
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	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Retail credit cards – TL</b>	<b>10,919,678</b>	<b>92,959</b>	<b>11,012,637</b>
With instalment	4,430,552	89,060	4,519,612
Without instalment	6,489,126	3,899	6,493,025
<b>Retail credit cards – FC</b>	<b>14,017</b>	-	<b>14,017</b>
With instalment	-	-	-
Without instalment	14,017	-	14,017
<b>Personnel loans – TL</b>	<b>9,505</b>	<b>334,082</b>	<b>343,587</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	9,505	334,082	343,587
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>126,608</b>	<b>592</b>	<b>127,200</b>
With instalment	44,823	549	45,372
Without instalment	81,785	43	81,828
<b>Personnel credit cards – FC</b>	<b>206</b>	-	<b>206</b>
With instalment	-	-	-
Without instalment	206	-	206
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>5,599,005</b>	-	<b>5,599,005</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>388</b>	-	<b>388</b>
<b>Total</b>	<b>17,836,759</b>	<b>89,531,711</b>	<b>107,368,470</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

Prior Period - December 31, 2019	Short-Term	Medium and Long-Term	Total
<b>Consumer loans – TL</b>	<b>988,803</b>	<b>52,052,993</b>	<b>53,041,796</b>
Housing loans	10,656	23,605,477	23,616,133
Automobile loans	9,031	406,726	415,757
General purpose loans	969,116	28,040,790	29,009,906
Other	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Retail credit cards – TL</b>	<b>8,274,740</b>	<b>83,237</b>	<b>8,357,977</b>
With instalment	3,547,519	78,731	3,626,250
Without instalment	4,727,221	4,506	4,731,727
<b>Retail credit cards – FC</b>	<b>20,464</b>	-	<b>20,464</b>
With instalment	-	-	-
Without instalment	20,464	-	20,464
<b>Personnel loans – TL</b>	<b>15,222</b>	<b>204,352</b>	<b>219,574</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	15,222	204,352	219,574
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>103,355</b>	<b>245</b>	<b>103,600</b>
With instalment	37,687	195	37,882
Without instalment	65,668	50	65,718
<b>Personnel credit cards – FC</b>	<b>471</b>	-	<b>471</b>
With instalment	-	-	-
Without instalment	471	-	471
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>3,737,396</b>	-	<b>3,737,396</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>307</b>	-	<b>307</b>
<b>Total</b>	<b>13,140,758</b>	<b>52,340,827</b>	<b>65,481,585</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Installment based commercial loans and corporate credit cards*

<b>Current Period - December 31, 2020</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Instalment-based commercial loans – TL</b>	<b>2,743,103</b>	<b>117,586,396</b>	<b>120,329,499</b>
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	113,773,091	116,375,945
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>-</b>	<b>453,243</b>	<b>453,243</b>
Real estate loans	-	-	-
Automobile loans	-	25,550	25,550
General purpose loans	-	427,693	427,693
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>249,088</b>	<b>27,218,678</b>	<b>27,467,766</b>
Real estate loans	-	-	-
Automobile loans	-	31,494	31,494
General purpose loans	249,088	27,187,184	27,436,272
Other	-	-	-
<b>Corporate credit cards – TL</b>	<b>3,382,956</b>	<b>97,503</b>	<b>3,480,459</b>
With instalment	1,194,567	89,774	1,284,341
Without instalment	2,188,389	7,729	2,196,118
<b>Corporate credit cards – FC</b>	<b>2,854</b>	<b>-</b>	<b>2,854</b>
With instalment	-	-	-
Without instalment	2,854	-	2,854
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>943,370</b>	<b>-</b>	<b>943,370</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,321,371</b>	<b>145,355,820</b>	<b>152,677,191</b>

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

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Allocation of loan customers(\*)*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Public Sector	15,643,650	7,749,314
Private Sector	406,399,509	267,027,508
<b>Total</b>	<b>422,043,159</b>	<b>274,776,822</b>

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

*Allocation of domestic and overseas loans (\*)*

	Current Period- December 31, 2020	Prior Period - December 31, 2019
Domestic loans	421,400,244	274,272,452
Foreign loans	642,915	504,370
<b>Total</b>	<b>422,043,159</b>	<b>274,776,822</b>

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

*Loans to associates and subsidiaries*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Direct loans to associates and subsidiaries	3,279,975	921,932
Indirect loans to associates and subsidiaries	-	-
<b>Total</b>	<b>3,279,975</b>	<b>921,932</b>

*Specific provisions accounted for loans (Stage 3)*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Loans and receivables with limited collectability	304,135	1,589,678
Loans and receivables with doubtful collectability	1,338,598	1,837,643
Uncollectible loans and receivables	11,664,516	8,754,214
<b>Total</b>	<b>13,307,249</b>	<b>12,181,535</b>

*Information on non-performing loans (Net)*

*Information on non-performing loans and other receivables restructured*

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
<b>Current period - December 31, 2020</b>			
Gross Amounts Before The Reserves	30,266	257,285	1,001,815
Loans Which Are Restructured	30,266	257,285	1,001,815
<b>Prior Period - December 31, 2019</b>			
Gross Amounts Before The Reserves	659,755	466,418	576,565
Loans Which Are Restructured	659,755	466,418	576,565

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period - December 31, 2020</b>			
<b>Balance at the beginning of the period</b>	<b>3,171,887</b>	<b>3,470,044</b>	<b>10,672,297</b>
Additions (+)	4,336,204	86,691	1,179,406
Transfers from other categories of loans under follow-up (+)	-	6,703,801	5,761,562
Transfers to other categories of loans under follow-up (-)	6,703,801	5,761,562	-
Collections (-) <sup>(*)</sup>	318,094	2,120,427	2,142,962
Write-offs (-) <sup>(**)</sup>	-	-	890,789
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Balance at the end of the period</b>	<b>486,196</b>	<b>2,378,547</b>	<b>14,579,514</b>
Provision (-)	304,135	1,338,598	11,664,516
<b>Net balance</b>	<b>182,061</b>	<b>1,039,949</b>	<b>2,914,998</b>

(\*) 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.

(\*\*) 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 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%.

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

(\*) 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.

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

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2020</b>			
Balance at the end of the period	237,897	1,335,243	3,209,434
Provision (-)	155,609	724,493	2,465,661
<b>Net balance on balance sheet</b>	<b>82,288</b>	<b>610,750</b>	<b>743,773</b>
<b>Prior Period - December 31, 2019</b>			
Balance at the end of the period	1,376,869	1,427,535	1,174,585
Provision (-)	696,734	729,691	937,437
<b>Net balance on balance sheet</b>	<b>680,135</b>	<b>697,844</b>	<b>237,148</b>

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2020</b>			
<b>Current Period (Net)</b>	<b>182,061</b>	<b>1,039,949</b>	<b>2,914,998</b>
Consumer and Commercial Loans (Gross)	485,060	2,377,140	14,555,704
Provision (-)	303,001	1,337,194	11,640,724
<b>Consumer and Commercial Loans (Net)</b>	<b>182,059</b>	<b>1,039,946</b>	<b>2,914,980</b>
Banks (Gross)	-	-	-
Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	1,136	1,407	23,810
Provision (-)	1,134	1,404	23,792
<b>Other Loans and Receivables (Net)</b>	<b>2</b>	<b>3</b>	<b>18</b>

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Prior Period - December 31, 2019</b>			
<b>Current Period (Net)</b>	<b>1,582,209</b>	<b>1,632,401</b>	<b>1,918,083</b>
Consumer and Commercial Loans (Gross)	3,170,083	3,469,979	10,639,149
Provision (-)	1,587,881	1,837,588	8,721,080
<b>Consumer and Commercial Loans (Net)</b>	<b>1,582,202</b>	<b>1,632,391</b>	<b>1,918,069</b>
Banks (Gross)	-	-	1,551
Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	1,804	65	31,597
Provision (-)	1,797	55	31,583
<b>Other Loans and Receivables (Net)</b>	<b>7</b>	<b>10</b>	<b>14</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period (Net) - December 31, 2020</b>	<b>10,442</b>	<b>84,433</b>	<b>658,148</b>
Interest accruals and valuation differences	25,935	201,036	1,786,371
Provision (-)	15,493	116,603	1,128,223
<b>Prior Period (Net) - December 31, 2019</b>	<b>134,273</b>	<b>140,871</b>	<b>245,229</b>
Interest accruals and valuation differences	269,253	304,122	747,230
Provision (-)	134,980	163,251	502,001

**6. Information on other financial assets measured at amortized cost**

**Information on measured at amortized cost government debt securities**

	<b>Current Period - December 31, 2020</b>		<b>Prior Period - December 31, 2019</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Government bonds	44,159,655	7,895,261	34,945,546	7,498,362
Treasury bills	-	-	-	-
Other securities issued by the governments	-	6,447,138	-	4,202,218
<b>Total</b>	<b>44,159,655</b>	<b>14,342,399</b>	<b>34,945,546</b>	<b>11,700,580</b>

*Information on other financial assets measured at amortized cost*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Debt Securities</b>	<b>58,747,252</b>	<b>47,014,633</b>
Quoted at stock exchanges	58,598,242	46,895,460
Unquoted at stock exchanges	149,010	119,173
<b>Impairment losses (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>58,747,252</b>	<b>47,014,633</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*The movement table of other financial assets measured at amortized cost*

	Current Period - December 31, 2020	Prior Period- December 31, 2019
<b>Balances at the beginning of the period</b>	<b>47,014,633</b>	<b>39,980,510</b>
Foreign currency differences on monetary assets	3,415,268	950,424
Purchases during the period	10,980,105	6,514,751
Disposals through sales/redemptions	(5,718,504)	(1,664,238)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	3,055,750	1,233,186
<b>Balances at the end of the period</b>	<b>58,747,252</b>	<b>47,014,633</b>

(\*) 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	
	TL	FC	TL	FC
<b>Current Period - December 31, 2020</b>				
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
<b>Total</b>	<b>34,247,696</b>	<b>13,920,306</b>	<b>44,218,605</b>	<b>14,528,647</b>

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

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

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

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on investments in associates**

*Information on investments in associates*

Title	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Kıbrıs Vakıflar Bankası Ltd. (*)	Lefkoşa/KKTC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38
3 Roketsan Roket Sanayi ve Ticaret AŞ (*)	Ankara/ Turkey	9.93	9.93
4 Bankalararası Kart Merkezi AŞ (*)	İstanbul/ Turkey	4.75	4.75
5 KKB Kredi Kayıt Bürosu AŞ (*)	İstanbul/ Turkey	9.09	9.09
6 Güçbirliği Holding AŞ (*)	İzmir/ Turkey	0.07	0.07
7 İzmir Enternasyonal Otelcilik AŞ (*)	İstanbul/ Turkey	5.00	5.00
8 İstanbul Takas ve Saklama Bankası AŞ (*)	İstanbul/ Turkey	4.37	4.37
9 Kredi Garanti Fonu AŞ (*)	Ankara/ Turkey	1.49	1.49
10 Türkiye Ürün İhtisas Borsası AŞ(*)	Ankara/ Turkey	3.00	3.00
11 Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ(*)	İstanbul/ Turkey	33.33	33.33
12 JCR Avrasya Derecelendirme AŞ (**)	İstanbul/ Turkey	2.86	2.86
13 Birleşik İpotek Finansmanı AŞ (*)	İstanbul/ Turkey	8.33	8.33
14 Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri San. Tic. AŞ (*)	Manisa/ Turkey	39.30	39.30
15 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 September 30, 2020.

(\*\*) The financial statement information provided for these associates is taken from the financial statements dated June 30, 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	1,587,894	108,506	7,590	87,870	2,653	15,661	907	-
2	52,430,920	6,130,769	1,317,093	2,562,208	779,585	712,294	730,504	4,989,600
3	8,993,195	2,168,107	1,375,436	13,284	-	235,009	415,038	8,460,000
4	272,800	217,454	79,380	6,083	-	35,413	28,503	-
5	411,660	265,464	249,099	5,882	-	48,549	26,579	-
6	150,372	(131,399)	88,098	1	-	(28,485)	(17,998)	-
7	125,137	(222,310)	75,198	-	-	(87,402)	(23,624)	-
8	24,887,346	2,382,244	153,894	260,916	78,584	359,199	506,603	-
9	1,058,164	762,700	19,911	27,280	-	138,849	96,130	-
10	75,153	71,491	2,806	3,865	-	13,078	3,511	-
11	82,474	49,867	17,344	1,497	-	1,852	12,627	-
12	30,686	24,535	22,978	252	-	(483)	803	-
13	10,108	10,078	49	-	-	78	-	-
14	120,953	(1,427,655)	166,112	705	-	(339,200)	(172,237)	-
15	1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

*Movement table of investments in associates*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Balance at the beginning of the period</b>	<b>1,001,717</b>	<b>619,582</b>
<b>Movements during the period</b>	<b>392,689</b>	<b>382,135</b>
Transfers	-	-
Acquisitions	70,692	1,750
Bonus shares received	10,193	2,762
Share of current year profit	-	-
Sales/liquidations	(700)	-
Fair value changes	312,504	377,623
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>1,394,406</b>	<b>1,001,717</b>
<b>Capital commitments</b>	<b>3,150</b>	<b>7,500</b>
<b>Share percentage at the end of period (%)</b>	<b>-</b>	<b>-</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

In the current period, it has been decided to increase the paid-in capital of Bileşim Finansal Teknolojiler ve Ödeme Sistemler A.Ş. from TL 26,000 to TL 145,000 TL 104,987 of the capital increase made was paid, where TL 14,013 part of it was paid from internal resources. The shares amounting to TL 34,992 corresponding to the share of the Bank are shown under Acquisition in the Movement Table of Investments in Associates, the shares amounting to TL 4,671 corresponding to the share of the Bank are shown under Bonus Shared Received in the Movement Table of Investments in Associates.

In the current period, the Bank transferred its 2.47% of its shares in Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri Sanayi Ticaret AŞ, to the former shareholder of the firm by the decision of the firm's Board of Directors. The shares sold are shown under Sales in the movement table of subsidiaries.

In the current period, it has been decided to increase the capital of Birleşik İpotek Finansmanı from TL 10,000 to TL 50,000. The shares amounting to TL 3,333 corresponding to the share of the Bank are shown under Acquisition in the Movement Table of Investments in Associates.

In the current period, the difference amounting to TL 32 corresponding to the Bank's share due to the corrections made in the JCR Avrasya Rating AŞ's paid in capital records, is shown in the transaction table of the subsidiaries under the Purchases

In the current period, at the Ordinary General Assembly of one of the Bank's affiliates Bankalararası Kart Merkezi, it has been decided to increase firm's capital from TL 30,000 to TL 177,493 TL, 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, which corresponds to the bank share, is shown in Bonus Shares in the transaction table of subsidiaries.

In the current period, the 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 charter capital in the amount of TL 50,000 to TL 100,000. As of September 30, 2020, the Bank's remaining capital debt has been paid and 750 TL of shares have been included in the Purchases table of Affiliates.

In the current period Platform Ortak Kartlı Sistemler AŞ joined to Türkiye Varlık Fonu on February 12, 2020, as a new partner. Due to the transfer of the Bank's nominal capital share from 7,000 TL to 1,400 TL to TVF, the nominal capital share has decreased to 5,600 TL. 350 TL shares sold are shown in the movement table of subsidiaries.

In the current period, PTT AS joined the Platform Ortak Kartlı Sistemler A.Ş. on June 3, 2020. Nominal share of capital has decreased to TL 4,200 due to the transfer of the Bank's nominal share part of TL 1,400 of TL 5,600 to PTT A.Ş. TL 350 shares sold are shown in Sales in the transaction table of subsidiaries.

In the prior period, the Bank participated in Platform Ortak Kartlı Sistemler AŞ, which was established with a capital of TL 21,000. As of 30 September 2019, the Bank paid one quarter of its share and shares amounting to TL 1,750 are presented under Purchases in the movement table of investments in associates.

In the prior period, decision has been made to increase of the Kredi Garanti Fonu AŞ capital share from TL 318,281 to TL 497,817 at the Board of Directors meeting of Kredi Garanti Fonu AŞ as of February 21, 2019. The shares of Bank's amounting to TL 2,762 of are shown in Bonus Shares Issued.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Sectoral distribution of investments in financial associates*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Banks	458,523	327,164
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	11,825	7,659
<b>Total</b>	<b>470,348</b>	<b>334,823</b>

*Quoted associates*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Quoted at domestic stock exchanges	418,003	286,644
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>418,003</b>	<b>286,644</b>

*Investments in associates disposed during the period*

There is not any associate disposed in the current period.

*Investments in associates acquired during the period*

In the current period, the Bank has become a shareholder of Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri Sanayi Ticaret AŞ on September 3, 2020. The Bank’s nominal share in the capital is TL 45,952 and the bank’s share ratio is 41.77%.

In the current period, the Bank has participated in establishment of the Birleşik İpotek Finansmanı AŞ., which was established with a capital of 10,000 TL. The nominal share of the bank is 833 TL and the share rate is 8.33%. Transactions regarding the establishment of the company were registered in the trade registry on March 17, 2020. The Bank’s shares amounting to 833 TL are shown in the Purchases in the movement table of the subsidiaries.

In the current period, the Bank has become a partner to Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, in 7 February 2020, by the agreement signed with the People’s Bank of Turkey to transfer nominal shares of 8,666 TL and which corresponds to 33.33% share ratio. The shares amounting to 27,997 TL corresponding to the Bank’s share are shown in the movement table of the subsidiaries.

In the current period, the Bank became a partner of JCR Avrasya Derecelendirme AŞ. with a capital of 1,000 TL on January 17, 2020. The nominal share in the capital is 29 TL and the share rate is 2.86%. The Bank’s share in the capital will be paid in two installments. 3/4 of the amount hitting the 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 amount of 2,066 TL, which corresponds to 3/4 of the Bank’s share in the current period, is shown in the movement table of the subsidiaries. The Bank has paid JCR Avrasya Rating A.Ş. the second remaining installment of the capital it has undertaken as of 30 June 2020. The amount of 689 TL, which corresponds to one fourth of the Bank’s share, is shown under Purchases in the movement table of subsidiaries.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries

Information on financial subsidiaries

Current Period - December 31, 2020	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Gayrimenkul Yat. Ort. AŞ	Vakıf 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	-	9,042	137	-	300,577	121	
Equity share premiums	-	-	-	-	278,978	28	
Share cancellation profits	-	-	-	-	-	-	
Other capital reserves	-	9,042	137	-	21,599	93	
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	23,930	(211)	2,388	16	(19)	
Other accumulated comprehensive income that will be reclassified in profit or loss	1,165,987	-	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	31,193	(21,491)	226,676	47,212	52,035	(2,390)	
Prior Period's Profit/Loss	42,062	(57,263)	124,550	(18,796)	10,351	(1,737)	
Current Period's Profit/Loss	(10,869)	35,772	102,126	66,008	41,684	(653)	
Minority Rights	-	-	-	-	-	-	
<b>Total Core Capital</b>	<b>1,526,310</b>	<b>265,771</b>	<b>361,328</b>	<b>420,288</b>	<b>943,456</b>	<b>28,120</b>	
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>CAPITAL</b>	<b>1,526,310</b>	<b>265,771</b>	<b>361,328</b>	<b>420,288</b>	<b>943,456</b>	<b>28,120</b>	
<b>NET AVAILABLE EQUITY</b>	<b>1,526,310</b>	<b>265,771</b>	<b>361,328</b>	<b>420,288</b>	<b>943,456</b>	<b>28,120</b>	

(\*) Reviewed BRSA financial statements as of September 30, 2020 are considered.

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS (Continued)

8. Investments in subsidiaries (Continued)

	Vakıfbank International AG	Vakıf Finansal Kiralama AŞ	Vakıf Yatırım Menkul Değerler AŞ	Vakıf Faktoring AŞ	Gayrimenkul Yat. Ort. AŞ	Vakıf Menkul Kıymet Yat. Ort. AŞ
<b>Prior Period - December 31, 2019</b>						
Paid in Capital	311,248	175,000	75,000	170,000	230,000	20,000
Share Premium	-	5,343	10,017	-	268,330	93
Equity share premiums	-	-	-	-	246,731	-
Share cancellation profits	-	-	-	-	-	-
Other capital reserves	-	5,343	10,017	-	21,599	93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	28,099	(211)	2,388	558	(53)
Other accumulated comprehensive income that will be reclassified in profit or loss	732,735	-	119,930	-	-	-
Profit Reserves	11,854	48,049	12,316	69,570	130,281	395
Legal Reserves	11,854	10,006	8,601	11,730	9,056	395
Statutory reserves	-	-	-	-	-	-
<i>Extraordinary Reserves</i>	-	38,043	3,715	57,840	121,225	-
<i>Other Profit Reserves</i>	-	-	-	-	-	-
Profit/Loss	48,090	(16,646)	38,984	110,248	10,351	(1,731)
Prior Period's Profit/Loss	342	(83,464)	2,136	(12,702)	14,255	(2,906)
Current Period's Profit/Loss	47,748	66,818	36,848	122,950	(3,904)	1,175
Minority Rights	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>
<b>NET AVAILABLE EQUITY</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>

(\*) Reviewed BRSA financial statements as of December 31, 2019 are considered.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

*Information on investments in subsidiaries*

Title	Address (City / Country)	Bank's Share –If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Vakıf Faktoring AŞ (*)	İstanbul/Türkiye	78.39	80.62
2 Vakıf Finansal Kiralama AŞ(*)	İstanbul/Türkiye	58.71	58.71
3 Vakıf Yatırım Menkul Değerler AŞ (*)	İstanbul/Türkiye	99.25	99.40
4 VakıfBank International AG (*)	Viyana/Avusturya	100.00	100.00
5 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ (*)	İstanbul/Türkiye	17.37	17.37
6 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ (*)	İstanbul/Türkiye	45.71	45.71
7 Vakıf Enerji ve Madencilik AŞ (*)	Ankara/Türkiye	65.50	80.48
8 Taksim Otelcilik AŞ (*)	İstanbul/Türkiye	51.00	51.00
9 Vakıf Pazarlama Sanayi ve Ticaret AŞ (*)	İstanbul/Türkiye	86.97	88.89
10 Vakıf Gayrimenkul Değerleme AŞ (*)	Ankara/Türkiye	97.14	97.14

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1	2,459,113	448,376	2,415	236,456	-	75,300	102,561	565,140
2	3,767,577	333,921	24,813	199,917	-	50,612	15,915	855,400
3	1,548,258	361,828	38,991	10	5,158	127,087	26,186	596,972
4	8,066,059	1,459,834	1,633	118,994	-	34,831	30,653	935,314
5	28,460	28,111	216	1,025	574	(653)	936	220,800
6	2,403,503	1,371,372	1,103,438	16,655	-	45,470	(267)	1,665,660
7	338,889	224,979	245,125	4,325	-	(3,823)	854	37,128
8	416,980	402,663	198,585	11,547	-	11,787	22,686	483,397
9	85,177	63,950	39,572	2,228	1,151	1,396	6,067	82,045
10	45,625	37,323	583	2,276	77	(1,913)	(2,637)	37,120

(\*) The financial statement information provided for these subsidiaries is taken from the financial statements as of September 30, 2020.

**Movement table of investments in subsidiaries**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Balance at the beginning of the period</b>	<b>1,799,559</b>	<b>2,431,635</b>
<b>Movements during the period</b>	<b>1,851,575</b>	<b>(632,076)</b>
Transfers(*)	-	(1,547,479)
Acquisitions	223,782	179,826
Bonus shares received	102,205	384,233
Share of current year profit	-	(42,881)
Sales and liquidations	-	(1,342)
Fair value changes	1,528,136	577,799
Impairment losses	(2,548)	(182,232)
<b>Balance at the end of the period</b>	<b>3,651,134</b>	<b>1,799,559</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>	<b>-</b>

(\*) In the previous period, Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ started to be presented under fixed assets held for sale and discontinued operations, and are shown in Transfers.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

In the current 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 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 current 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 Bank are shown under Bonus Shares Received in the Movement Table of Investments in Subsidiaries.

In the current 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 Bank are included under Bonus Shares Received in the Movement Table of Investments in Subsidiaries.

In the Current period, the paid-in capital of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, which was TL 230,000 within the registered capital ceiling of TL 460,000, was increased to TL 460,000 with an increase of TL 230,000. Total shares amounting to TL 148,741 are presented under Purchases in the movement table of 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 Bank for TL 57.083, in March 24 2020. Shares are shown in themovement table relating to subsidiaries.

In the current period, the paid-in capital of Vakıf Gayrimenkul Değerleme A.Ş., which was 14,000 TL, is increased by 16,000 TL to 30,000 TL. The share of the bank is TL 15,543 shown in purchases in the movement table of subsidiaries.

In the current period, The 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. The shares are shown in the movement table related to subsidiaries in the purchases.

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

In the prior period, Güneş Sigorta AŞ, which is in the subsidiary account of the Bank, has been decided to be removed from the subsidiaries and the TL 672,829 share corresponding to the share of the Bank is shown in the Affiliates table.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

In the prior period, it was decided to sell 1,556,292 shares of Güneş Sigorta AŞ traded in the BİAŞ share market. The share of TL 1,122 that the bank sold was shown under Sales in Act of Affiliates table.

In the prior period, the paid-in capital of Güneş Sigorta AŞ, which was TL 270,000 within the registered capital ceiling of TL 540,000, was increased to TL 540,000 with an increase of TL 270,000. Total shares amounting to TL 179,826 are presented under Purchases in the movement table of subsidiaries.

In the prior period, it was decided to sell 220,000 shares of Vakıf Menkul Kıymet Yatırım Ortaklığı A.Ş has been. TL 220 of the Bank's sales is presented under Sales in the movement table of subsidiaries.

At the Ordinary General Assembly of Vakıfbank International AG held on June 28, 2019, it was decided to increase the Company's capital from EUR 70,000 to EUR 100,000. TL 177,089 of bonus shares amounting to EUR 27,000 corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries.

At the Ordinary General Assembly of Vakıf Finansal Kiralama AŞ held on June 26, 2019, it was decided to increase the Company's capital from TL 140,000 to TL 175,000. TL 20,549 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries.

At the Ordinary General Assembly of Vakıf Gayrimenkul Yatırım Ortaklığı AŞ held on June 24, 2019, it was decided to increase the Company's capital from TL 225,000 to TL 230,000. TL 1,935 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries.

At the Ordinary General Assembly of Vakıf Yatırım Menkul Değerler AŞ held on June 19, 2019, it was decided to increase the Company's capital from TL 35,000 to TL 75,000. TL 39,700 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries.

At the Ordinary General Assembly of Vakıf Emeklilik ve Hayat AŞ held on June 19, 2019, it was decided to increase the Company's capital from TL 26,500 to TL 150,000. TL 66,567 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries.

At the Ordinary General Assembly of Vakıf Faktoring AŞ held on June 18, 2019, it was decided to increase the Company's capital from TL 70,000 to TL 170,000. TL 78,393 of bonus corresponding to the Bank's share are shown under Bonus Shares in the movement table of subsidiaries.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Methods to measure investments in subsidiaries*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Measured at cost	-	-
Measured at fair value	3,651,134	1,799,559
Equity method of accounting	-	-
<b>Total</b>	<b>3,651,134</b>	<b>1,799,559</b>

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

*Sectoral distribution of investments in financial subsidiaries*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Banks	935,314	486,740
Factoring companies	443,029	219,011
Leasing companies	502,224	249,776
Financing companies	-	-
Other financial subsidiaries	1,392,295	521,721
<b>Total</b>	<b>3,272,862</b>	<b>1,477,248</b>

*Quoted subsidiaries*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Quoted at domestic stock exchanges	1,302,025	479,711
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>1,302,025</b>	<b>479,711</b>

*Investments in subsidiaries disposed during the period*

In the current period all Güneş Sigorta AŞ 51.10% shares, which was owned by the Bank and accounted Non-current Assets Held for Sale – Subsidiaries, were transferred to TVF Finansal Yatırımlar AŞ as of 22 April 2020. The bank has no shares left.

In the current period all Vakıf Emeklilik AŞ 53.90% shares, which was owned by the Bank and accounted Non-current Assets Held for Sale – Subsidiaries, were transferred to TVF Finansal Yatırımlar AŞ as of 22 April 2020. The bank has no shares left.

In the prior period, all of the shares of Vakıf Portföy Yönetimi AŞ., were sold to Ziraat Portföy Yönetimi AŞ. With an amount of TL 52,500. As of January 2, 2019, the Bank has no shares in Vakıf Portföy Yönetimi AŞ.

*Investments in subsidiaries acquired during the period*

The Bank has no subsidiaries acquired in the current period.

**9. Investments in joint-ventures**

None.

**10. Information on finance lease receivables (net)**

None.

**11. Information on hedging purpose derivatives**

*Positive differences on derivative financial instruments held for risk management purposes*

None.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**12. Information on tangible assets**

	<b>Real Estates</b>	<b>Leased Tangible Assets</b>	<b>Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>Balance at the end of the prior year:</b>					
Cost	1,535,844	1,127,816	135,861	1,803,182	4,602,703
Accumulated depreciation(-)	50,430	240,236	31,882	1,241,447	1,563,995
Impairment(-)	15,446	-	-	4,602	20,048
<b>Net book value</b>	<b>1,469,968</b>	<b>887,580</b>	<b>103,979</b>	<b>557,133</b>	<b>3,018,660</b>
Net book value at the beginning of the current year	1,469,968	887,580	103,979	557,133	3,018,660
Additions	671,308	435,976	91,257	113,862	1,312,403
Transferred cost	1,435,074	-	-	-	1,435,074
Transferred amortisation	12,139	-	-	-	12,139
Cost of the disposals	348,516	198,523	1,974	25,406	574,419
Depreciation of the disposals (-)	497	30,767	1,082	32,882	65,228
Depreciation of the current year	9,668	259,251	27,492	161,213	457,624
Impairment (-)	7,008	-	-	426	7,434
Exchange differences related to foreign associates	-	-	146	6,561	6,707
Cost at the end of the current year	3,293,710	1,365,269	225,290	1,898,199	6,782,468
Accumulated depreciation at the end of the year (-)	47,462	468,720	58,292	1,369,778	1,944,252
Impairment (-)	8,438	-	-	4,176	12,614
<b>Net book value at the end of the current year</b>	<b>3,237,810</b>	<b>896,549</b>	<b>166,998</b>	<b>524,245</b>	<b>4,825,602</b>

**13. Information on intangible assets**

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

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

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

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

**14. Information on investment properties**

None.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**15. Information on deferred tax assets**

As at December 31, 2020 and December 31, 2019, items generating deferred tax assets or liabilities are listed below:

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Deferred tax assets</b>	<b>2,216,942</b>	<b>1,323,711</b>
Provision for employee termination benefits and unused vacations	173,938	140,208
Other provisions	11,444	14,034
Valuation differences of associates and subsidiaries	23,456	23,456
Provision (General Provision)	1,699,893	702,720
Valuation differences of financial assets and liabilities	289,649	431,120
Other differences	18,562	12,173
<b>Deferred tax liabilities</b>	<b>1,091,660</b>	<b>576,388</b>
Valuation differences of financial assets and liabilities	843,976	425,250
Valuation difference for associates and subsidiaries	131,393	60,048
Valuation differences of properties	94,258	72,592
BRSA - Tax Code depreciation differences	22,033	18,498
<b>Deferred tax assets, (net)</b>	<b>1,125,282</b>	<b>747,323</b>

The deferred tax asset / liability schedule as of December 31, 2020 and December 31, 2019 is as follows:

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>As of 1 January</b>	<b>747,323</b>	<b>29,776</b>
Deferred tax income/(loss)	470,328	905,204
Deferred tax that is accounted under Equity	(86,658)	(176,280)
Other	(5,711)	(11,377)
<b>Deferred tax asset/(Liability)</b>	<b>1,125,282</b>	<b>747,323</b>

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

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Securities available for sale	(12,162)	(223,516)
Associates and subsidiaries	(71,343)	19,934
Tangible assets	(21,666)	275
Assets held for sale	-	5,078
Actuarial gains and losses	18,513	21,949
The effect of changes in accounting policies	-	-
<b>Total</b>	<b>(86,658)</b>	<b>(176,280)</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

As of December 31, 2020, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 1,263,718 (December 31, 2019: TL 3,125,112) and the provision for impairment is TL 7,467 (December 31, 2019: TL 12,981). The amount of other assets held for sales and discontinued operations is TL 3.(31 December 2019: None.)

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

On April 22, 2020, a share transfer agreement was signed between TVF Financial Investments as the buyer and the Bank as the seller, in order to transfer the Banks shares which represent 51.1% of Güneş Sigorta AŞ's capital and 53.9% of Vakıf Emeklilik ve Hayat AŞ's capital to TVF Financial Investments AŞ ("TVF Financial Investments"). Accordingly, the price to be paid to the Bank for Güneş Sigorta AŞ shares is determined as TL 2.22 per share, and the total sales price is TL 612,586 . The sales price has been totally paid with a special issue government bond. The amount to be paid to the Bank for Vakıf Emeklilik ve Hayat AŞ shares is determined as TL 0.0896 per share, and the total sales price is TL 724,584. The sales price has been totally paid with a special issue government bonds. After the aforementioned sale, TL 900,871 was transferred to retained earnings and TL 151,021 dividend income was obtained from related companies.

**17. Information on other assets**

As of 31 December 2020, and 31 December 2019 “Other Asset” item does not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

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

	Current Period - December 31, 2020	Prior Period – December 31, 2020
Balances with the Central Bank	990	374
Banks	1,739	8,900
<b>Total</b>	<b>2,729</b>	<b>9,274</b>
Financial Assets Measured at Amortized Cost	6,596	5,054
<b>Total</b>	<b>9,325</b>	<b>14,328</b>

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DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity profile of deposits

Current 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	25,786,582	-	23,946,240	100,992,729	4,488,116	2,943,414	7,772,530	-	165,929,611
Residents in Turkey	24,614,391	-	23,552,235	98,182,126	3,659,298	1,956,144	3,640,307	-	155,604,501
Residents in abroad	1,172,191	-	394,005	2,810,603	828,818	987,270	4,132,223	-	10,325,110
Public sector deposits	9,869,935	-	16,555,520	9,056,028	835,740	172,860	122,980	-	36,613,063
Commercial deposits	6,891,407	-	24,952,915	31,747,855	199,071	510,308	271,607	-	64,573,163
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	1,604,981	-	14,161,699	6,881,876	322,934	29,959	-	-	23,001,449
Central Bank	3,418	-	-	-	-	-	-	-	3,418
Domestic banks	655,960	-	13,871,431	1,180,543	322,934	-	-	-	16,030,868
Foreign banks	253,437	-	290,268	5,701,333	-	29,959	-	-	6,274,997
Participation banks	692,166	-	-	-	-	-	-	-	692,166
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>80,536,322</b>	<b>-</b>	<b>91,161,453</b>	<b>218,175,130</b>	<b>8,538,861</b>	<b>5,713,579</b>	<b>9,909,274</b>	<b>8,924</b>	<b>414,043,543</b>

Prior Period December 31, 2019	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	8,578,245	-	8,388,452	37,058,056	2,528,253	276,512	1,890,243	8,620	58,728,381
Foreign currency deposits	15,621,867	-	15,618,203	51,465,995	5,398,393	1,857,362	6,379,869	-	96,341,689
Residents in Turkey	14,649,556	-	15,322,762	49,178,166	4,631,421	978,319	2,235,416	-	86,995,640
Residents in abroad	972,311	-	295,441	2,287,829	766,972	879,043	4,144,453	-	9,346,049
Public sector deposits	8,186,969	-	6,028,510	6,735,622	2,793,367	485,159	29,121	-	24,258,748
Commercial deposits	4,513,944	-	14,278,824	14,138,249	1,767,183	482,234	316,449	-	35,496,883
Other	7,545,083	-	1,391,353	7,096,658	3,183,311	379,849	690,573	-	20,286,827
Precious metal deposits	5,596,470	-	-	13,780	-	243,446	49,413	-	5,903,109
Bank deposits	651,048	-	4,541,612	4,525,538	455,074	174,319	167,671	-	10,515,262
Central Bank	661	-	-	-	-	-	-	-	661
Domestic banks	299,252	-	4,234,529	619,030	321,218	12,880	-	-	5,486,909
Foreign banks	104,250	-	307,083	3,906,508	133,856	161,439	167,671	-	4,780,807
Participation banks	246,885	-	-	-	-	-	-	-	246,885
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>50,693,626</b>	<b>-</b>	<b>50,246,954</b>	<b>121,033,898</b>	<b>16,125,581</b>	<b>3,898,881</b>	<b>9,523,339</b>	<b>8,620</b>	<b>251,530,899</b>

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

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	34,549,132	36,235,122	33,649,429	25,078,952
Foreign currency saving deposits	26,578,612	57,449,267	16,583,167	33,677,608
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>61,127,744</b>	<b>93,684,389</b>	<b>50,232,596</b>	<b>58,756,560</b>

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

*Saving deposits out of insurance coverage limits*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Deposits and other accounts at foreign branches	68,685	62,900
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	9,753	10,395
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

**2. Information on derivative financial liabilities held for trading purpose**

*Negative differences related to the derivative financial liabilities held for trading purpose*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Forwards	46,128	1,739	57,018	1,379
Swaps	4,015,689	2,019,300	2,168,868	1,081,826
Futures	-	-	-	-
Options	1,367	1,091	213	2,645
Other	-	-	-	-
<b>Total</b>	<b>4,063,184</b>	<b>2,022,130</b>	<b>2,226,099</b>	<b>1,085,850</b>

**3. Information on funds borrowed**

*a) Information on banks and other financial institutions*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	162,800	1,346,184	-	988,160
Domestic banks and institutions	293,228	5,952,876	326,451	2,757,681
Foreign banks, institutions and funds	340,202	38,891,508	570,839	36,435,419
<b>Total</b>	<b>796,230</b>	<b>46,190,568</b>	<b>897,290</b>	<b>40,181,260</b>

*b) Maturity information of funds borrowed*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Short-term (*)	455,228	2,269,424	326,451	3,450,038
Medium and Long-term (*)	341,002	43,921,144	570,839	36,731,222
<b>Total</b>	<b>796,230</b>	<b>46,190,568</b>	<b>897,290</b>	<b>40,181,260</b>

(\*) 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 7.20% ((December 31, 2019: 10.63%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

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

**Syndicated Loans Receive**

Beginning From	Maturity (Days)	Currency	Amount (Millions)	Interest rate	Coordinator Bank	Agent Bank
4 May 2020	367	USD	312	Libor+2.25%	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C)	Mizuho Bank, LTD.
	367	EUR	589.5	Euribor+2.00 %	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C)	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)

**Securitisation Loans Received**

Beginning From	Due date	Currency	Amount (USDMillions)	Loan Type
13 May 2011	15 June 2023	USD	346.5	Based on international remittance flows
19 December 2014	15 December 2021	USD/EUR	428.6	Based on international remittance flows / Based on treasury financing transactions
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 2018	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

As of December 31, 2020, the total securitization balance is equivalent of USD 1,175 million and EUR 168 million. (31 December 2019: USD 1,453 million and EUR 227 million).

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

*Information on securities issued (Continued)*

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.

Current Period - December 31, 2020	TL		FC	
	Short Term	Medium-Long Term	Short Term	Medium-Long Term
		Term		Term
Nominal	5,169,940	5,180,500	2,177,273	32,494,250
Cost	5,043,291	5,180,500	2,175,570	32,339,042
Net Book Value	5,150,249	5,301,603	2,188,163	32,872,952

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

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

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

**5. Information on lease payables (net)**

*Obligations under financial leasing*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Gross	Net	Gross	Net
Under 1 year	24,228	23,200	20,101	19,103
1-4 Years	338,843	293,475	457,151	367,996
Over 4 years	981,403	658,118	947,841	541,755
<b>Total</b>	<b>1,344,474</b>	<b>974,793</b>	<b>1,425,093</b>	<b>928,854</b>

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

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

*Negative fair values of hedging purpose derivatives*

None.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**7. Information on Provision**

*Information on employee rights*

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

As of December 31, 2020, TL 781,077 (December 31, 2019: TL 598,412) provision for severance pay and TL 88,612 (December 31, 2019 TL 102,631) provision for unused vacation are stated in financial statements under employee rights provision.

*Movement of severance pay provision in the period:*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Opening balance</b>	<b>598,412</b>	<b>427,866</b>
Current service cost	59,591	42,055
Previous service cost	37	19,090
Interest cost	69,032	64,097
Paid compensation	(38,940)	(52,557)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	382	7,472
Actuary loss/(gain)	92,563	90,389
<b>Closing balance</b>	<b>781,077</b>	<b>598,412</b>

*Information on pension rights*

As per Article 21 of Insurance Law no. 5684 and the clauses of “Actuaries Regulation” published as per this article, the technical financial statements of the Fund is audited by an actuary registered in the actuary registry. No technical or actual deficits which need the allocation of provisions as per the actuary report dated December 31, 2020 is identified.

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Transferable retirement and health liabilities</b>		
Net Present Value of Transferable Retirement Liabilities	(9,103,430)	(8,016,606)
Net Present Value of Transferable Retirement and Health Contributions	7,319,847	6,813,970
General Administration Expenses	(91,034)	(80,166)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,874,618)	(1,282,802)
Fair Value of Plan Assets (2)	6,577,453	6,255,056
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,702,835	4,972,254

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Information on pension rights (Continued)*

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

Discount Rates	Current Period - December 31, 2020	Prior Period - December 31, 2019
Benefits Transferable to SSI	9.80%	9.80%
Non Transferable Benefits	2.50%	2.50%

Distribution of total assets of the Retirement Fund as of December 31, 2020 and December 31, 2019 is presented below:

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Bank placements	2,462,572	639,362
Government Bonds and Treasury Bill, Fund and Accrual Interest Income	1,476,099	3,267,243
Tangible assets*	2,387,853	2,219,862
Other	250,929	128,589
<b>Total</b>	<b>6,577,453</b>	<b>6,255,056</b>

(\*) As of 31 December 2020, the value of the fixed assets are shown considering the fair value of the properties owned instead of the balance sheet value.

*Provision for currency exchange loss on foreign currency indexed loans*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Provision for currency exchange loss on foreign currency indexed loans	5,871	-

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

As of December 31, 2020, Bank has recorded TL 43,756 (December 31, 2019: TL 57,760) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on provision for probable risks*

As of 31 December 2020, the free provision in the financial statements amounted to a total of TL 1,072,000 (31 December 2019: TL 852,000), of which is constituted by TL 220,000 in the current period and TL 852,000 in the prior periods.

**8. Taxation**

*Current taxes*

*Tax provision*

As of December 31, 2020, the Bank's corporate tax payable is TL 360,486 (December 31, 2019: TL 574,107).

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

**8. Taxation (Continued)**

*Information on taxes payable*

	Current Period - December 31, 2020	Prior Period – December 31, 2019
Corporate taxes payable	360,486	574,107
Taxation on securities	283,597	257,672
Capital gains tax on property	1,561	3,515
Banking and Insurance Transaction Tax (BITT)	196,109	199,659
Taxes on foreign exchange transactions	8,002	4,428
Value added tax payable	6,957	6,210
Other	41,467	65,971
<b>Total</b>	<b>898,179</b>	<b>1,111,562</b>

*Information on premiums payable*

	Current Period - December 31, 2020	Prior Period – December 31, 2019
Social security premiums- employee share	-	-
Social security premiums- employer share	-	-
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,441	1,607
Unemployment insurance- employer share	2,882	3,213
Other	-	-
<b>Total</b>	<b>4,323</b>	<b>4,820</b>

*Information on deferred tax liabilities*

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

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

None.

**10. Information on subordinated loans**

Stated bonds' total balance sheet value is TL 19,458,798 as of December 31, 2020 (December 31, 2019: TL 19,245,453).

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
<b>Debt instruments to be included in the additional capital calculation</b>	<b>5,144,984</b>	<b>6,627,849</b>	<b>5,139,810</b>	<b>4,839,684</b>
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	5,144,984	6,627,849	5,139,810	4,839,684
<b>Debt instruments to be included in the additional capital calculation</b>	<b>1,256,477</b>	<b>6,429,488</b>	<b>1,255,067</b>	<b>8,010,892</b>
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,256,477	6,429,488	1,255,067	8,010,892
<b>Total</b>	<b>6,401,461</b>	<b>13,057,337</b>	<b>6,394,877</b>	<b>12,850,576</b>

(\*)Detailed explanations on subordinated loans are given in the Section IV - "Information on Instruments to be Included in Equity Calculation".

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

**11. Information on equity**

***Paid-in capital***

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Common Stock	3,905,622	2,500,000
Preferred Stock	-	-

Paid-in capital of the Bank amounted to TL 3,905,622 TL 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 bank; if so the amount of registered share capital***

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
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, 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***

<b>Date of Increase</b>	<b>Amount of Increase</b>	<b>Cash</b>	<b>Profit Reserves Subject to Increase</b>	<b>Share Premium Subject to Increase</b>
9 June 2020	1,405,622	1,405,622	-	-

The 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 the general purpose of these commitments and the estimated resources required for these commitments***

None.

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

None.

***Information on the privileges given to stocks representing the capital***

None.

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

*Valuation differences of the marketable securities*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	2,520,234	(4,066)	1,164,678	(144,550)
Financial assets at fair value through other comprehensive income	138,957	700,035	543,624	242,412
Foreign exchange differences	80,727	-	80,727	-
<b>Total</b>	<b>2,739,918</b>	<b>695,969</b>	<b>1,789,029</b>	<b>97,862</b>

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

**1. Disclosures related to other contingent liabilities**

*Type and amount of irrevocable commitments*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Commitments for credit card limits	21,320,698	17,293,741
Loan granting commitments	26,086,273	18,076,739
Commitments for cheque payments	5,723,932	3,528,150
Asset purchase sale commitments	11,842,849	7,968,985
Other	2,537,078	1,627,217
<b>Total</b>	<b>67,510,830</b>	<b>48,494,832</b>

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

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

The Bank provided specific provision amounting to TL 473,440 (December 31, 2019: TL 689,503) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to TL 43,756 (December 31, 2019: TL 57,760).

*Final guarantees, provisional guarantees, sureties and similar transactions*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Provisional letters of guarantee	2,300,586	1,366,139
Final letters of guarantee	26,707,408	20,929,135
Letters of guarantee for advances	6,997,981	5,608,940
Letters of guarantee given to custom offices	2,335,826	1,322,033
Other letters of guarantee	36,742,124	29,698,034
<b>Total</b>	<b>75,083,925</b>	<b>58,924,281</b>

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

**2. Non-cash loans**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Non-cash loans given for cash loan risks</b>	<b>23,475,004</b>	<b>17,026,869</b>
<i>With original maturity of 1 year or less</i>	3,761,496	6,070,706
<i>With original maturity of more than 1 year</i>	19,713,508	10,956,163
<b>Other non-cash loans</b>	<b>77,761,033</b>	<b>60,309,173</b>
<b>Total</b>	<b>101,236,037</b>	<b>77,336,042</b>

**3. Sectoral risk concentrations of non-cash loans**

	Current Period - December 31, 2020				Prior Period - December 31, 2019			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>92,169</b>	<b>0.21</b>	<b>711,771</b>	<b>1.23</b>	<b>56,955</b>	<b>0.15</b>	<b>253,240</b>	<b>0.64</b>
Farming and Cattle	85,536	0.20	663,623	1.15	52,735	0.14	231,174	0.58
Forestry	4,980	0.01	-	-	4,190	0.01	-	-
Fishing	1,653	-	48,148	0.08	30	-	22,066	0.06
<b>Manufacturing</b>	<b>14,223,619</b>	<b>32.77</b>	<b>32,550,812</b>	<b>56.28</b>	<b>11,788,946</b>	<b>31.42</b>	<b>20,327,094</b>	<b>51.05</b>
Mining	943,206	2.17	377,971	0.65	236,923	0.63	165,044	0.41
Production	8,627,927	19.88	29,210,184	50.51	7,030,835	18.74	19,172,563	48.15
Electric, gas and water	4,652,486	10.72	2,962,657	5.12	4,521,188	12.05	989,487	2.49
<b>Construction</b>	<b>9,697,538</b>	<b>22.34</b>	<b>7,984,351</b>	<b>13.81</b>	<b>7,620,745</b>	<b>20.31</b>	<b>5,912,307</b>	<b>14.85</b>
<b>Services</b>	<b>18,169,868</b>	<b>41.87</b>	<b>15,093,021</b>	<b>26.09</b>	<b>17,244,512</b>	<b>45.96</b>	<b>10,489,650</b>	<b>26.35</b>
Wholesale and retail trade	7,509,189	17.30	8,560,076	14.80	6,037,803	16.09	6,341,737	15.93
Hotel, food and beverage Services	399,272	0.92	596,204	1.03	314,844	0.84	412,217	1.04
Transportation and telecommunication	3,508,135	8.08	3,935,289	6.80	2,804,464	7.47	2,178,605	5.47
Financial institutions	3,597,437	8.29	315,020	0.54	4,729,573	12.60	173,797	0.44
Real estate and renting Services	1,652,822	3.81	1,310,291	2.27	1,139,197	3.04	465,306	1.17
Self-employment services	1,179,304	2.72	369,557	0.64	1,962,573	5.23	321,924	0.81
Education services	67,596	0.16	1,012	0.00	56,442	0.15	4,464	0.01
Health and social services	256,113	0.59	5,572	0.01	199,616	0.54	591,600	1.48
<b>Other</b>	<b>1,221,017</b>	<b>2.81</b>	<b>1,491,871</b>	<b>2.58</b>	<b>810,555</b>	<b>2.16</b>	<b>2,832,038</b>	<b>7.11</b>
<b>Total</b>	<b>43,404,211</b>	<b>100.00</b>	<b>57,831,826</b>	<b>100.00</b>	<b>37,521,713</b>	<b>100.00</b>	<b>39,814,329</b>	<b>100.00</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

<b>Current Period - December 31, 2020</b>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of Guarantee	41,583,843	30,826,591	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	-	-	-	-
Other Guarantees and Sureties	-	114,896	-	-
<b>Non-Cash Loans</b>	<b>41,842,083</b>	<b>56,546,908</b>	<b>1,323,090</b>	<b>1,050,516</b>

<b>Prior Period - December 31, 2019</b>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of Guarantee	35,943,263	20,621,695	1,104,761	574,064
Confirmed Bills of Exchange and Acceptances	7,842	4,562,605	-	3,382
Letters of Credit	141,830	13,517,542	-	73,273
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	96,282	-	-
<b>Non-Cash Loans</b>	<b>36,092,935</b>	<b>38,798,124</b>	<b>1,104,761</b>	<b>650,719</b>

**5. Information on derivative transactions**

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Trading Derivatives</b>		
<b>Foreign Currency Related</b>		
<b>Derivative Transactions (I)</b>	<b>120,375,323</b>	<b>84,944,567</b>
Currency Forwards	3,073,644	4,537,627
Currency Swaps	115,753,278	79,070,537
Currency Futures	382,085	-
Currency Options	1,166,316	1,336,403
<b>Interest Rate Derivative</b>	<b>79,926,312</b>	<b>66,326,016</b>
<b>Transactions (II)</b>		
Interest Rate Forwards	-	-
Interest Rate Swaps	79,926,312	66,326,016
Interest Rate Options	-	-
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>29,788,647</b>	<b>23,593,260</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>230,090,282</b>	<b>174,863,843</b>
<b>Hedging Derivatives</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency	-	-
Investments	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Derivative Transactions (A+B)</b>	<b>230,090,282</b>	<b>174,863,843</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

<b>Current Period - December 31, 2020</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
<b>Currency swaps:</b>						
Purchase	26,452,780	11,471,724	6,770,828	-	223,500	44,918,832
Sale	29,705,301	11,170,733	6,975,396	-	-	47,851,430
<b>Currency forwards:</b>						
Purchase	50,100	301,063	1,178,211	17,153	-	1,546,527
Sale	50,014	300,610	1,159,418	17,075	-	1,527,117
<b>Cross currency interest rate swaps:</b>						
Purchase	-	-	7,579,285	1,639,000	3,278,760	12,497,045
Sale	-	-	6,817,007	1,177,650	2,491,314	10,485,971
<b>Interest rate swaps:</b>						
Purchase	65,000	95,000	5,272,432	4,363,072	30,167,652	39,963,156
Sale	65,000	95,000	5,272,432	4,363,072	30,167,652	39,963,156
<b>Options:</b>						
Purchase	442,822	93,412	38,000	-	-	574,234
Sale	461,568	97,208	33,306	-	-	592,082
<b>Trading Securities:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Futures:</b>						
Purchase	-	-	186,250	-	-	186,250
Sale	-	-	195,835	-	-	195,835
<b>Other trading derivatives:</b>						
Purchase	2,614,950	563,977	2,045,191	4,085,486	7,884,604	17,194,208
Sale	4,386	563,977	1,789,764	3,139,412	7,096,900	12,594,439
<b>Total purchases</b>	<b>29,625,652</b>	<b>12,525,176</b>	<b>23,070,197</b>	<b>10,104,711</b>	<b>41,554,516</b>	<b>116,880,252</b>
<b>Total sales</b>	<b>30,286,269</b>	<b>12,227,528</b>	<b>22,243,158</b>	<b>8,697,209</b>	<b>39,755,866</b>	<b>113,210,030</b>
<b>Total</b>	<b>59,911,921</b>	<b>24,752,704</b>	<b>45,313,355</b>	<b>18,801,920</b>	<b>81,310,382</b>	<b>230,090,282</b>

<b>Prior Period - December 31, 2019</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
<b>Currency swaps:</b>						
Purchase	14,904,246	6,580,006	3,901,515	133,623	178,650	25,698,040
Sale	16,173,838	6,608,725	3,942,974	105,000	-	26,830,537
<b>Currency forwards:</b>						
Purchase	101,976	537,671	1,171,136	461,825	-	2,272,608
Sale	101,790	536,140	1,166,826	460,263	-	2,265,019
<b>Cross currency interest rate swaps:</b>						
Purchase	-	122,124	357,300	10,734,025	2,501,707	13,715,156
Sale	-	282,977	169,645	10,002,448	2,371,734	12,826,804
<b>Interest rate swaps:</b>						
Purchase	10,000	111,160	1,333,330	8,113,874	23,594,644	33,163,008
Sale	10,000	111,160	1,333,329	8,113,875	23,594,644	33,163,008
<b>Options:</b>						
Purchase	429,818	94,300	137,745	-	-	661,863
Sale	440,210	96,002	138,328	-	-	674,540
<b>Trading securities:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Futures:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Other trading derivatives:</b>						
Purchase	1,306,719	173,000	-	5,540,430	6,733,189	13,753,338
Sale	-	178,433	-	4,073,741	5,587,748	9,839,922
<b>Total purchases</b>	<b>16,752,759</b>	<b>7,618,261</b>	<b>6,901,026</b>	<b>24,983,777</b>	<b>33,008,190</b>	<b>89,264,013</b>
<b>Total sales</b>	<b>16,725,838</b>	<b>7,813,437</b>	<b>6,751,102</b>	<b>22,755,327</b>	<b>31,554,126</b>	<b>85,599,830</b>
<b>Total</b>	<b>33,478,597</b>	<b>15,431,698</b>	<b>13,652,128</b>	<b>47,739,104</b>	<b>64,562,316</b>	<b>174,863,843</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**6. Contingent assets and liabilities**

Bank allocates TL 37,141 as provision for lawsuits against the Bank (December 31, 2019: TL 37,141).

**7. Services rendered on behalf of third parties**

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

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

**1. Interest income**

*Information on interest income received from loans*

	Current Period - December 31, 2020		Prior Period - December 31, 2020	
	TL	FC	TL	FC
Short-term Loans	5,914,891	628,901	9,506,304	730,787
Medium and Long-Term Loans	23,751,436	5,778,851	18,873,591	4,993,189
Non-performing Loans	657,031	-	596,949	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>30,323,358</b>	<b>6,407,752</b>	<b>28,976,844</b>	<b>5,723,976</b>

*Information on interest income received from banks*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Central Bank of Republic of Turkey	-	-	-	1,297
Domestic Banks	5,606	7,328	29,809	33,695
Foreign Banks	-	29,719	-	122,829
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>5,606</b>	<b>37,047</b>	<b>29,809</b>	<b>157,821</b>

*Information on interest income received from marketable securities portfolio*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	-	90,514	-	6,025
Financial assets at fair value through other comprehensive income	3,345,422	1,000,826	1,977,945	177,010
Financial assets measured at amortized cost	5,209,672	682,258	4,170,602	551,886
<b>Total</b>	<b>8,555,094</b>	<b>1,773,598</b>	<b>6,148,547</b>	<b>734,921</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Information on interest income received from associates and subsidiaries*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Interest Received from Associates and Subsidiaries	107,364	131,958

**2. Interest expense**

*Interest expense on funds borrowed*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
<b>Banks</b>	<b>91,591</b>	<b>1,132,701</b>	<b>91,629</b>	<b>1,336,738</b>
Central Bank of Republic of Turkey	3,324	3,161	-	1,878
Domestic Banks	28,353	109,872	30,419	96,649
Foreign Banks	59,914	1,019,668	61,210	1,238,211
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>69,959</b>	<b>-</b>	<b>87,432</b>
<b>Total</b>	<b>91,591</b>	<b>1,202,660</b>	<b>91,629</b>	<b>1,424,170</b>

*Interest expense paid to associates and subsidiaries*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Interest Paid to Associates and Subsidiaries	228,144	299,906

*Interest expense on securities issued*

Interest paid to securities issued as at for the period ended December 31, 2020 is TL 4,580,755 (TL 2,322,948 and 2,257,807 FC). (December 31, 2019: TL 4,108,916 (TL 2,495,195 and 1,613,721 FC)).

*Maturity structure of the interest expense on deposits*

Current Period December 31, 2020	Time Deposits						Cumulative deposit	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TL</b>								
Interbank deposits	-	358,213	220,177	-	-	-	-	578,390
Saving deposits	-	1,038,790	4,328,406	197,155	31,782	207,488	783	5,804,404
Public sector deposits	11,608	1,415,586	518,925	96,913	48,357	3,197	-	2,094,586
Commercial deposits	197	1,982,637	2,540,215	71,883	72,599	84,683	-	4,752,214
Other deposits	3	176,293	1,152,718	137,070	18,037	28,009	-	1,512,130
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,808</b>	<b>4,971,519</b>	<b>8,760,441</b>	<b>503,021</b>	<b>170,775</b>	<b>323,377</b>	<b>783</b>	<b>14,741,724</b>
<b>FC</b>								
Foreign currency deposits	13,368	191,168	1,284,061	63,324	21,338	82,159	-	1,655,418
Interbank deposits	5,032	62,072	38,154	-	-	-	-	105,258
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	74	-	3,572	790	-	4,436
<b>Total</b>	<b>18,400</b>	<b>253,240</b>	<b>1,322,289</b>	<b>63,324</b>	<b>24,910</b>	<b>82,949</b>	<b>-</b>	<b>1,765,112</b>
<b>Grand Total</b>	<b>30,208</b>	<b>5,224,759</b>	<b>10,082,730</b>	<b>566,345</b>	<b>195,685</b>	<b>406,326</b>	<b>783</b>	<b>16,506,836</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

*Maturity structure of the interest expense on deposits (Continued)*

Prior Period – December 31, 2019	Demand Deposits	Time Deposits					More than 1 Year	Cumulative deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year				
<i>TL</i>									
Interbank deposits	-	127,409	341,312	161	93,568	-	-	562,450	
Saving deposits	-	1,245,693	6,033,792	817,665	114,592	255,324	730	8,467,796	
Public sector deposits	22,901	536,859	962,113	165,271	74,265	33,484	-	1,794,893	
Commercial deposits	25	1,462,555	1,835,621	251,889	111,609	75,344	-	3,737,043	
Other deposits	-	161,836	804,571	541,778	101,210	27,926	-	1,637,321	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>22,926</b>	<b>3,534,352</b>	<b>9,977,409</b>	<b>1,776,764</b>	<b>495,244</b>	<b>392,078</b>	<b>730</b>	<b>16,199,503</b>	
<i>FC</i>									
Foreign currency deposits	30,323	177,446	1,176,489	113,496	47,028	163,414	-	1,708,196	
Interbank deposits	11,740	48,031	128,669	61	35,273	-	-	223,774	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	10	-	783	164	-	957	
<b>Total</b>	<b>42,063</b>	<b>225,477</b>	<b>1,305,168</b>	<b>113,557</b>	<b>83,084</b>	<b>163,578</b>	<b>-</b>	<b>1,932,927</b>	
<b>Grand Total</b>	<b>64,989</b>	<b>3,759,829</b>	<b>11,282,577</b>	<b>1,890,321</b>	<b>578,328</b>	<b>555,656</b>	<b>730</b>	<b>18,132,430</b>	

**3. Dividend Income**

	Current Period – December 31, 2020	Prior Period - December 31, 2019
Financial assets at fair value through profit or loss	645	469
Financial assets at fair value through other comprehensive income	-	-
Others	167,194	50,470
<b>Total</b>	<b>167,839</b>	<b>50,939</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**4. Information on trading income/loss**

	Current Period – December 31, 2020	Prior Period – December 31, 2019
<b>Profit</b>	<b>36,157,135</b>	<b>23,671,832</b>
Income from capital market operations	1,624,022	515,307
Income from derivative financial instruments	23,300,603	15,988,207
Foreign exchange gains	11,232,510	7,168,318
<b>Losses</b>	<b>(38,707,859)</b>	<b>(26,255,526)</b>
Loss from capital market operations	(19,103)	(35,404)
Loss from derivative financial instruments	(24,851,761)	(19,651,247)
Foreign exchange loss	(13,836,995)	(6,568,875)
<b>Net trading profit/loss</b>	<b>(2,550,724)</b>	<b>(2,583,694)</b>

Net loss arising from changes in foreign exchange rates that relate to the Bank’s foreign exchange rate based derivative financial instruments is amounting to TL 1,683,496 as at and for the year ended December 31, 2020 (December 31, 2019: TL 3,444,052 net loss).

**5. Information on other operating income**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Income from reversal of the specific provisions for loans from prior periods <sup>(*)</sup>	5,366,726	3,411,404
Communication income	16,148	37,251
Gain on sale of assets	691,491	281,380
Rent income	8,129	7,582
Other income	190,628	297,637
<b>Total</b>	<b>6,273,122</b>	<b>4,035,254</b>

<sup>(\*)</sup> As of 31 December 2020, the Bank has written-off loans and provisions, which were classified in the “Group V Loans” (Loans Classified as Loss) and which do not have reasonable expectations for recovery in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA

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

**6. Expected Credit Loss and Other Provision Expenses**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Expected Credit Loss</b>	<b>11,513,884</b>	<b>8,212,337</b>
12 month expected credit loss (stage 1)	2,728,571	1,287,414
Significant increase in credit risk (stage 2)	4,337,225	1,713,451
Non-performing loans (stage 3)	4,448,088	5,211,472
<b>Marketable Securities Impairment Expense</b>	<b>11,734</b>	<b>52,362</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11,734	52,362
<b>Investments in Associates, Subsidiaries and Held-to- maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>244,000</b>	<b>-</b>
<b>Total</b>	<b>11,769,618</b>	<b>8,264,699</b>

**7. Information on other operating expenses**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Reserve for Employee Termination Benefits	90,103	69,670
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	4,791	-
Depreciation Expenses on Tangible Assets	457,624	423,488
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	36,405	32,199
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	2,744,818	2,231,004
<i>Leasing expenses related toIFRS 16 exceptions</i>	72,951	86,873
<i>Repair and maintenance expenses</i>	79,431	67,575
<i>Advertisement expenses</i>	171,163	178,272
<i>Other expenses</i>	2,421,273	1,898,284
Loss on sale of assets	8,506	3,255
Other <sup>(*)</sup>	2,287,436	1,021,746
<b>Total</b>	<b>5,629,683</b>	<b>3,781,362</b>

<sup>(\*)</sup> Other operating expenses amounting to TL 2,287,436 (December 31, 2019: TL 1,021,746) is comprised of provision expenses for dividends to the personnel amounting to TL 349,663 (December 31, 2019: TL 252,180), 890,789 TL (December 31, 2019: None ) written off loans and receivables, tax, fees and funds expenses amounting to TL 299,133 (December 31, 2019: TL 251,001), “Saving Deposits Insurance Fund” expenses amounting to TL 451,999 (December 31, 2019: TL 283,627) and other operating expenses amounting to TL 295,852 (December 31, 2019: TL 234,938).

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

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

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

**9. Information on tax provision from discontinued and continuing operations**

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

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

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

**11. Provision for taxes**

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

In the current period, the Bank has recorded a tax charge of TL 1,899,145 (December 31, 2019: TL 1,715,496) from the net taxable profit calculated in accordance the laws and regulations in effect.

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

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

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period – December 31, 2020</b>	<b>Prior Period – December 31, 2019</b>
Arising from Origination / (Reversal) of Deductible Temporary Differences	874,717	537,330
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(404,389)	367,874
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>470,328</b>	<b>905,204</b>

The table of the tax provision reconciliation for the years December 31, 2020 and December 31, 2019 is as below.

	<b>Current Period – December 31, 2020</b>	<b>Prior Period – December 31, 2019</b>
<b>Profit before tax</b>	<b>6,439,273</b>	<b>3,612,583</b>
Additions	12,162,895	5,019,960
Reductions	10,155,785	1,113,019
Other	(2,480)	(1,690)
<b>Basis</b>	<b>8,443,903</b>	<b>7,517,834</b>
Corporate tax rate	22%	22%
<b>Tax calculated</b>	<b>1,857,659</b>	<b>1,653,924</b>
Other corrections	(428,842)	(843,632)
<b>Tax expense</b>	<b>1,428,817</b>	<b>810,292</b>

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**12. Information on net profit and loss**

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

The Bank has earned TL 47,263,551 interest income, TL 27,376,148 interest expenses and TL 3,395,062 net fees and commissions income, from ordinary banking transactions (December 31, 2019: TL 42,074,839 interest income, TL 29,060,127 interest expenses, TL 3,978,688 net fees and commissions income).

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

None.

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

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

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

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**1. Information on increases of revaluation of available-for-sale investments**

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of fair value through other comprehensive income assets, subsidiaries and affiliates are recorded are as follows:

<b>Valuation Differences of Marketable Securities</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Valuation differences at the beginning of the year	786,036	(100,297)
Fair value changes in the current year	58,928	1,101,826
Valuation differences transferred to the statement of income	6,190	8,020
Effect of deferred and corporate taxes	(12,162)	(223,513)
<b>Valuation differences at the end of the year</b>	<b>838,992</b>	<b>786,036</b>

<b>Valuation Difference of the Subsidiaries and Affiliates</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Valuation differences at the beginning of the year	1,100,855	1,536,056
Fair value changes in the current year	1,567,384	(455,135)
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	(71,344)	19,934
<b>Valuation differences at the end of the year</b>	<b>2,596,895</b>	<b>1,100,855</b>

**2. Information on increases in cash flow hedges**

None.

**3. Reconciliation of the beginning and end of the year balances of foreign exchange differences**

None.

**4. Information on differences in shareholders’ equity accounts due to inflation accounting**

In compliance with BRSA’s Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for “capital reserves from inflation adjustments”. The balance of “capital reserves from inflation adjustments” account is transferred to “other capital reserves” account. In 2006, the Bank has increased its paid in capital through “other capital reserves” by TL 605,763.

**5. Information on profit distribution**

At the 66th General Assembly Meeting of the Bank held on June 12, 2020, it was decided to distribute TL 2,802,291 of the distributable net period profit of 2019 totalling TL 189,709 to shareholders as legal reserves, TL 1,634,563 of it as extraordinary reserves, TL 72,815 as special funds.

**6. Information on decreases of revaluation of available-for-sale investments**

Revaluation differences of available-for-sale investments has resulted with decrease in the current year. Detailed information about the decreases is explained above in Note 1.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS**

**1. Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents**

“Other” item under the “operating profit before changes in operating assets and liabilities” amounting to TL (10,193,475 )(December 31, 2019: TL (7,387,437) ) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL 76,916,434 (December 31, 2019: TL (3,888,055)) under “changes in operating assets and liabilities” is mainly comprised of cash outflows from miscellaneous payables and rcrepuhase agreements.

“Other” item under “net cash flow from investing activities” amounting to TL (57,422) (December 31, 2019: TL (29,644)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assests’ high turnover rate are taken into consideration. Each exchange rate’s arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period’s exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation’s per term exchange rate and current period’s exchange rate. As of December 31, 2020 impact of the exchange rate change on cash and cash equivalents is TL 20,761 (December 31, 2019: TL 196,541).

**2. Cash outflows from acquisition of associates, subsidiaries and joint-ventures**

It is explained in footnotes 7 and 8 of subsidiaries and affiliates in the Section V.

**3. Cash flows from the disposal of associates, subsidiaries and joint-ventures**

It is explained in footnotes 7 and 8 of subsidiaries and affiliates in the Section V.

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**DISCLOSURE AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS (Continued)**

**4. Information on cash and cash equivalents**

*Information on cash and cash equivalents at the beginning of the year*

	Period Period December 31, 2019	Prior Period December 31, 2018
<b>Cash on hand</b>	<b>2,454,174</b>	<b>2,339,748</b>
Cash in TL	1,450,294	1,455,914
Cash in foreign currency	1,003,880	883,834
<b>Cash equivalents</b>	<b>27,311,000</b>	<b>17,132,393</b>
CBRT	33,262,426	29,144,389
Banks	5,861,343	5,018,593
Receivables from money markets	-	-
Other <sup>(*)</sup>	778,620	770,352
Loans and advances to banks having maturity of more than 3 months	(342,411)	(609,535)
Restricted cash and cash equivalents	(12,245,275)	(17,182,290)
Unrealized foreign exchange rate differences on cash equivalents	(3,703)	(9,116)
<b>Total</b>	<b>29,765,174</b>	<b>19,472,141</b>

<sup>(\*)</sup> As of 31 December 2019, TL 778,620 (31 December 2018: 770,352) and TL 629,315 (31 December 2018: 748,012) out of TL 149,305 (31 December 2018: 22,340) that were classified under “Other” was cash in transit and precious metals, respectively

*Information on cash and cash equivalents at the end of the year*

	Current Period December 31, 2020	Prior Period December 31, 2019
<b>Cash on hand</b>	<b>3,097,959</b>	<b>2,454,174</b>
Cash in TL	1,681,202	1,450,294
Cash in foreign currency	1,416,757	1,003,880
<b>Cash equivalents</b>	<b>51,953,636</b>	<b>27,311,000</b>
CBRT	88,034,872	33,262,426
Banks	2,584,919	5,861,343
Receivables from money markets	187,753	-
Other <sup>(*)</sup>	2,055,955	778,620
Loans and advances to banks having maturity of more than 3 months	(73,182)	(342,411)
Restricted cash and cash equivalents	(40,835,818)	(12,245,275)
Unrealized foreign exchange rate differences on cash equivalents	(863)	(3,703)
<b>Total</b>	<b>55,051,595</b>	<b>29,765,174</b>

<sup>(\*)</sup> As of 31 December 2020, TL 2,055,955 (31 December 2018: 778,620) and TL 1,848,689 (31 December 2019: 629,315) out of TL 207,266 (31 December 2018: 149,305) that were classified under “Other” was cash in transit and precious metals, respectively

**5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account**

Reserve requirements at CBRT amounting to TL 39,571,078 as at December 31, 2020 (December 31, 2019: TL 11,470,013) has not been included in cash and cash equivalents.

Foreign currency bank deposits amounting to TL 1,264,740 (December 31, 2019: TL 775,262) is blocked and has not been included in cash and cash equivalents due to securitization loans and other ordinary banking operations of the Bank.

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

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

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

Current Period - December 31, 2020	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	921,932	868,629	-	29,783	334,910	57,317
Balance at the end of the year	3,279,975	772,579	-	32,511	63,311	64,767
Interest and commission income	107,364	456	-	-	19,611	43

Prior Period - December 31, 2019	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the year	519,633	606,551	-	44,668	193,297	91,969
Balance at the end of the year	921,932	868,629	-	29,783	334,910	57,317
Interest and commission income	131,958	3,168	-	-	49,531	154

*Information on deposits held by the Bank’s risk group*

	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the year	1,443,698	1,847,693	298,861	1,079,621	89,490	623,318
Balance at the end of the year	2,684,189	1,443,698	2,237,815	298,861	118,001	89,490
Interest on deposits	228,144	299,906	99,294	181,726	8,271	15,157

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

Bank’s Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit or Loss						
Beginning of the Period	-	34,629	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total profit/loss	(203)	-	-	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total income/loss	-	-	-	-	-	-

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

**2. Disclosures of transactions with the Bank’s risk group**

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

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

*Information on Benefits Provided to Directors*

In the accounting period ending on December 31, 2020, a total amount of TL 32,806 was paid to the Bank's top management. (December 31, 2019: 28,186 TL).

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

**Domestic and foreign branches and representative offices**

	<b>Number of Branches</b>	<b>Number of Employees</b>		<b>Total Assets</b>	<b>Capital</b>
<b>Domestic Branches<sup>(*)</sup></b>	933	16,707			
<b>Foreign Representative Offices</b>	-	-			
			<b>Country</b>		
<b>Foreign Branches</b>	1	22	USA	2,733,701	122,925
	1	14	Iraq	647,661	372,500
<b>Off-shore Branches</b>	1	5	Bahrain	42,033,621	-

<sup>(\*)</sup> Free zone branches in Turkey is included to domestic branches.

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

During 2020, 3 new domestic branches (2019: 2 domestic branches) have been opened and 10 branches have been closed (2019: 10).

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**SECTION SIX**

**OTHER DISCLOSURES**

**I. OTHER DISCLOSURES ON THE BANK’S ACTIVITY**

As per the resolution of 66<sup>th</sup> Annual General Assembly held on June 12, 2020, the net profit of year 2019 has been decided to be distributed as follows:

<b>Profit Distribution Table of Year 2019</b>	
<b>Bank’s unconsolidated profit in its statutory financial statements</b>	<b>2,802,291</b>
Deferred tax credits	-
<b>Net profit of the year subject to distribution</b>	<b>2,802,291</b>
Legal reserves	189,709
<i>First Legal Reserves</i>	94,855
<i>Reserves allocated according to banking law and articles of association.</i>	94,854
<b>Net profit of the year subject to distribution</b>	<b>1,707,378</b>
Gain on sale of immovable and shares of associates and subsidiaries	72,815
Extraordinary reserves	1,634,563
<b>Dividends to shareholders</b>	<b>-</b>

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

<b>September 2020<sup>(*)</sup></b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B
Viability Note	b+

<b>December 2020<sup>(*)</sup></b>	<b>Moody’s Investors Service</b>
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	Caa1/NP
Foreign Currency Outlook	Negative

<b>August 2018<sup>(*)</sup></b>	<b>JCR Eurasia</b>
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (N Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independency from Shareholders	A

<sup>(\*)</sup> The dates indicate the last grade change dates.

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

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**OTHER DISCLOSURES (Continued)**

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

As of January 8, 2021, all of the shares of the Bank in Keskinöğlü Tavukçuluk ve Damız İşletmeleri Sanayi ve Ticaret AŞ, a subsidiary of the Bank, were transferred to TC Ziraat Bankası AŞ. Thus, the Bank does not have any shares in the company.

On 18 May 2020, the Qatar Financial Center Regulatory Authority (QFCRA) approved the Bank's license application to carry out its banking activities and allowed the branch to be operational as of 2 February 2021.

The Bank has issued financing bills with various maturities between January 15, 2021 and February 5, 2021.

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

None.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
UNCONSOLIDATED FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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**SECTION SEVEN  
INDEPENDENT AUDITORS’ AUDIT REPORT**

**I. INFORMATION ON INDEPENDENT AUDITORS’ REPORT**

The Bank’s unconsolidated financial statements and footnotes as at and for year ended December 31, 2020 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. It was noted in their audited report dated February 9, 2020 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated financial statements do not give a true and fair view of the Bank’s financial position and results of its operations.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

None.

**TÜRKİYE VAKIFLAR BANKASI**  
**TÜRK ANONİM ORTAKLIĞI**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND RELATED DISCLOSURES AT DECEMBER 31, 2020**  
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**  
(Convenience Translation of Publicly Announced  
Consolidated Financial Statements and Independent Auditor's Report  
Originally Issued in Turkish, See in Note I. of Section Three)



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

**INDEPENDENT AUDITOR'S REPORT**

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

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

**1. Qualified Opinion**

We have audited the accompanying consolidated financial statements of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and its subsidiaries (collectively referred to as "the Group") which comprise the statement of consolidated balance sheet as at 31 December 2020, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion section below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.



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

As explained in Section Five Part II-7 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as of 31 December 2020 include a free provision amounting to TL 1,072,000 thousand which consist of TL 852,000 thousand provided in prior years and TL 220,000 thousand recognized in the current year by the Bank management considering the negative circumstances that may arise from possible changes in the economy and market conditions. Thus, the amount of free provision in the accompanying consolidated financial statements which does not meet the requirements of BRSA Accounting and Financial Reporting Legislation is the TL 1,072,000 thousand as at 31 December 2020.

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

## **3. Key Audit Matters**

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



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="321 512 841 602"><b><i>Expected Credit Losses for Loans and Receivables in Accordance with TFRS 9 “Financial Instruments Standard”</i></b></p> <p data-bbox="321 634 854 815">The Group has total expected credit losses of TL 22,145,495 thousand in respect to loans and receivables of TL 449,874,776 thousand which represent a significant portion of the Group’s total assets in its consolidated financial statements as at 31 December 2020.</p> <p data-bbox="321 819 867 1027">Explanations and notes related to provision for impairment of loans and receivables are presented Section III Part VII, Section III Part VIII, Section IV Part II, Section IV Part XI-3, Section V Part I-5 and Section V Part II-7 in the accompanying consolidated financial statements as at 31 December 2020.</p> <p data-bbox="321 1064 870 1821">The Group recognizes provision for impairment in accordance with “TFRS 9 Financial Instruments” requirements in line with the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The Group determines staging of loan in accordance with applicable regulation and identifying significant increase in credit risk with quantitative and qualitative assessments and default event disclosed in Section Three Part VIII in the accompanying consolidated financial statements. As of 31 December 2020, the impacts of COVID-19 global pandemic have increased the importance of the estimations and assumptions used by the Group management in determination of the expected credit loan loss provision. The uncertainties arising from these impacts have been evaluated by the management in their judgements and estimations.</p>	<p data-bbox="894 666 1479 938">With respect to stage classification of loans and receivables and calculation of expected credit losses in accordance with the applicable regulations considering also the impacts of COVID-19, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We assessed the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p data-bbox="894 970 1490 1427">Within the framework of the policies and procedures applied by the Group, together with our financial risk experts, we have checked and assessed the appropriateness of the methods used in the model developed for staging of loans and calculation of expected credit losses in accordance with TFRS 9. For forward looking assumptions (including macro-economic factors) made by the Group’s management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information that includes the impacts of COVID-19. We have tested model calculations through re-performance together with our modelling specialists on a sample selection basis.</p>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="250 555 781 676"><b><i>Expected Credit Losses for Loans and Receivables in Accordance with TFRS 9 “Financial Instruments Standard” (Continued)</i></b></p> <p data-bbox="250 710 802 985">The Group uses complex models, that requires data to be derived from multiple systems for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. Information used in the expected credit loss assessment such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.</p> <p data-bbox="250 1021 805 1540">Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan and receivable balances; the classification of loans and receivables as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p data-bbox="828 555 1354 614">Our audit processes also include the following procedures:</p> <ul data-bbox="828 649 1435 1881" style="list-style-type: none"> <li data-bbox="828 649 1398 800">• Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used.</li> <li data-bbox="828 804 1430 1017">• The basic and important estimates and the assumptions related to macroeconomic variables, significant increase in credit risk in the calculation of expected credit losses, default definition, probability of default and loss given default were assessed and tested with the help of our financial risk experts.</li> <li data-bbox="828 1021 1435 1264">• For a selected sample, we have checked expected credit losses determined based on individual assessment per Group’s policy by means of supporting data and evaluated via inquiries with management appropriateness of the estimations and judgements made including areas affected by the uncertainties caused by COVID-19 .</li> <li data-bbox="828 1268 1422 1481">• We checked sources for data used in expected credit losses calculations. We assessed reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. We checked the accuracy of resultant expected credit loss calculations on a sample basis.</li> <li data-bbox="828 1485 1378 1544">• We checked accuracy of resultant expected credit losses calculations on a sample basis.</li> <li data-bbox="828 1549 1427 1761">• To assess appropriateness of the Group’s determination of staging for credit risk in accordance with applicable regulation, identification of impairment and timely and appropriate provisioning for impairment under TFRS 9, we have performed loan review procedures based on a selected sample.</li> <li data-bbox="828 1766 1430 1881">• We assessed accuracy and completeness of the disclosures with respect to loan and related expected credit losses presented in the financial statements of the Group.</li> </ul>



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p><b>Valuation of Pension Fund Obligations</b></p> <p>Explanations on Valuation of Pension Obligations are presented in the Section III Part XVI in the accompanying consolidated financial statements as at 31 December 2020.</p> <p>“Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı” (“the Fund”) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The president of republic is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. Evaluation of Pension Fund liabilities include uncertainty of estimates and assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions. The Group’s management uses external actuaries for the purpose of valuations of pension obligations.</p> <p>During our audit, above mentioned fundamental assumption and estimates used in calculations of pension fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p>Within our audit, we tested on a sample basis the accuracy of the employee data supplied by the Group management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets on a sample basis.</p> <p>We examined whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and regulations related to valuations exist, and tested significant changes.</p> <p>Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p>In addition to the above procedures, we have reviewed disclosures made with respect to pension funds in the consolidated financial statements.</p>



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

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

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

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

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

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

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

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

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



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

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

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

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



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

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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

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

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

Halûk Yalçın, SMMM  
Partner

Istanbul, 18 February 2021

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
CONSOLIDATED FINANCIAL REPORT  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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

The consolidated financial report as at and for the year ended December 31, 2020 prepared in accordance with the “Communiqué of Financial Statements and Related Disclosures and Footnotes to be Publicly Announced by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

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

February 18, 2021

Abdülkadir AKSU  
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:

Name-Surname/Title: Burcu SÜTCÜ AKDAĞ / Manager	Name-Surname/Title: Mehmet Fatih METE / Asst. Manager
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

As at December 31, 2020, the Parent Bank’s paid-in capital is TL 3,905,622 TL (December 31, 2019: TL 2,500,000) divided into 390,562,248,996 shares with each has a nominal value of Kr 1. (December 31, 2019: TL 250,000,000,000)

The Parent Bank’s shareholders structure as at December 31, 2020 and December 31, 2019 is stated below:

<b>Shareholders - December 31, 2020</b>	<b>Number of Shares – 100 unit</b>	<b>Nominal Value of the Shares – Thousands of TL</b>	<b>Share Percentage (%)</b>
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
<b>Total</b>	<b>3,905,622,490</b>	<b>3,905,622</b>	<b>100.00</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS  
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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, 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 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 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.

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**GENERAL INFORMATION (Continued)**

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

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Date of Appointment</b>	<b>Education</b>	<b>Experience in Banking and Management</b>
<b>Board of Directors</b>				
Abdülkadir AKSU	Chairman	May 27, 2019	Bachelor’s	1 years
Dr.Cemil Ragıp ERTEM	Member – Deputy Chairman	June 12, 2020	PhD	22 years
Abdi Serdar ÜSTÜNSALİH	Member- General Manager	May 27, 2019	Master’s	29 years
Dr.Adnan ERTEM	Member	October 28, 2010	PhD	32 years
Dilek YÜKSEL	Member	March 29, 2016	Bachelor’s	10 years
Şahin UĞUR	Member	June 9 2017	Bachelor’s	34 years
Serdar TUNÇBİLEK	Member	June 9 2017	Bachelor’s	34 years
Sadık YAKUT	Member	May 27, 2019	Bachelor’s	1 years
Hamza YERLİKAYA	Member	June 12, 2020	Master’s	-
<b>Audit Committee</b>				
Serdar TUNÇBİLEK	Member	June 15, 2017	Bachelor’s	34 years
Dilek YÜKSEL	Member	June 12, 2020	Bachelor’s	10 years
<b>Auditor</b>				
Hasan TÜRE	Auditor	June 9, 2017	Bachelor’s	36 years
Mehmet Emin BAYSA	Auditor	June 12, 2020	Master’s	1 years
<b>Assistant General Managers</b>				
Metin Recep ZAFER	R&D and Business Intelligence Application Development, Basic Banking Application Development, Channel Management and Payment Systems App. Development, System Management, IT System and Application Support, IT Planning and Coordination, Treasury Operations, Foreign Operations, Banking Operations, Credit, Customer and Account Operations	June 13, 2006	PhD	25 years
Muhammet Lütfü ÇELEBİ	Retail Banking Marketing, Retail Banking Marketing Services	October 23, 2013	Bachelor’s	25 years
Şuayyip İLBİLGİ	Accounting and Financial Affairs, Strategy and Planning, Subsidiaries and Affiliates	August 1, 2017	Bachelor’s	24 years
Mikail HIDİR	Credit Risk Planning and Monitoring Evaluation and Rating, Credit Risk Liquidation, Legal Affairs	December 26, 2018	Bachelor’s	17 years
Hazım AKYOL	Corporate Banking Marketing, Commercial Banking Marketing, Corporate Branches Cash Management Product Development and Foreign Trade Marketing	May 31, 2019	Bachelor’s	27 years
Alaattin ŞİMŞEK	Corporate Loans Allocation and Management SME and Retail Loans Allocation, Commercial Loans Allocation, Application of Credit Policies and Processes 1-2, Specific Loans Management	May 31, 2019	Bachelor’s	25 years
Ferkan MERDAN	Payment Systems, Digital Banking and Distribution Channels, Corporate Communication 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	25 years
Kadir KARATAŞ	Human Resources, Corporate Development and Academy	August 13, 2020	Bachelor’s	24 years

The persons listed in the table above do not have any interest in the non-public part of the Bank.

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**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.

The decisions taken at the 66th Ordinary General Assembly Meeting of the Parent Bank held on June 12, 2020 regarding the renewal of the Members of the Board of Directors are as follows; It was resolved by majority of votes to appoint Mr. Hamza Yerlikaya as Independent Board Member to replace Mr. Şahap Kavcıoğlu representing Group (A) to serve for 3 years and to appoint Mr. Mehmet Emin Baysa to replace Mr. Yunus Arıncı as members of the Supervisory Board for 3 years.

At the Board of Directors Meeting held on 12 June 2020, in accordance with the Related Articles of our Bank's Articles of Association:

- Mr. Abdulkadir Aksu was elected as the Chairman of the Board,
- Mr. Cemil Ragıp 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.

With the decision of the Parent Bank's Board of Directors dated July 8, 2020, Arif ÇOKÇETİN was appointed as the Assistant General Manager.

According to the decision of the Parent Bank's Board of Directors dated August 13, 2020, Deputy General Manager Hüseyin Uğur BİLGİN was retired and Kadir KARATAŞ, Head of Banking Support Services, was appointed as Deputy General Manager.

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**GENERAL INFORMATION (Continued)**

**IV. INFORMATION ON THE PARENT BANK’S QUALIFIED SHAREHOLDERS**

<b>Shareholders-31 December 2020</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
Türkiye Varlık Fonu (D Grubu)	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	-

<b>Shareholders-31 December 2019</b>	<b>Nominal Value of Shares</b>	<b>Share Percentage</b>	<b>Paid Shares (Nominal)</b>	<b>Unpaid Shares</b>
TC Hazine ve Maliye Bakanlığı (Group A)	1,075,058	43.00	1,075,058	-
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-
TC Hazine ve Maliye Bakanlığı (Group B)	387,673	15.51	387,673	-

As of 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.

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
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**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.

The Parent Bank and its consolidated subsidiaries are called as “The Group” in the report.

As at December 31, 2020, The Parent Bank has 933 domestic, 3 foreign, in total 936 branches (December 31, 2019: 940 domestic, 3 foreign, in total 943 branches). As at December 31, 2020, The Parent Bank has 16,748 employees (December 31, 2019: 16,835 employees).

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**GENERAL INFORMATION (Continued)**

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

As at and for the year ended December 31, 2020, 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 year ended December 31, 2020, 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 Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ, İzmir Enternasyonal AŞ, Platform Ortak Karlı Sistemler AŞ, Türkiye Ürün İhtisas Borsası AŞ, Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ, JCR Avrasya Derecelendirme AŞ and Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri San.Tic.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  
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**SECTION TWO**  
**CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**AS AT DECEMBER 31, 2020**

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

ASSETS	Notes	Current Period December 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>53,386,866</b>	<b>143,243,468</b>	<b>196,630,334</b>	<b>23,839,465</b>	<b>51,504,253</b>	<b>75,343,718</b>
<b>1.1 Cash and cash equivalents</b>	<b>V-I-1</b>	<b>14,925,286</b>	<b>81,577,857</b>	<b>96,503,143</b>	<b>2,399,213</b>	<b>40,329,046</b>	<b>42,728,259</b>
1.1.1 Cash and balances at Central Bank	V-I-1	14,662,490	78,544,752	93,207,242	2,387,874	34,116,718	36,504,592
1.1.2 Banks	V-I-3	58,997	3,033,183	3,092,180	6,120	6,212,378	6,218,498
1.1.3 Receivables from Money Markets		206,589	-	206,589	14,535	-	14,535
1.1.4 Allowance for expected credit losses (-)	V-I-18	2,790	78	2,868	9,316	50	9,366
<b>1.2 Financial assets at fair value through profit or loss</b>	<b>V-I-2</b>	<b>297,243</b>	<b>7,161,038</b>	<b>7,458,281</b>	<b>178,298</b>	<b>2,129,634</b>	<b>2,307,932</b>
1.2.1 Public debt securities		110,576	7,000,000	7,110,576	198	2,017,593	2,017,791
1.2.2 Equity instruments		170,609	161,038	331,647	173,286	112,041	285,327
1.2.3 Other financial assets		16,058	-	16,058	4,814	-	4,814
<b>1.3 Financial assets at fair value through other comprehensive income</b>	<b>V-I-4</b>	<b>31,026,129</b>	<b>52,901,796</b>	<b>83,927,925</b>	<b>17,673,354</b>	<b>8,126,945</b>	<b>25,800,299</b>
1.3.1 Public debt securities		30,422,704	51,083,898	81,506,602	17,089,209	7,011,397	24,100,606
1.3.2 Equity instruments		14,131	4,028	18,159	14,131	3,924	18,055
1.3.3 Other financial assets		589,294	1,813,870	2,403,164	570,014	1,111,624	1,681,638
<b>1.4 Derivative financial assets</b>	<b>V-I-2</b>	<b>7,138,208</b>	<b>1,602,777</b>	<b>8,740,985</b>	<b>3,588,600</b>	<b>918,628</b>	<b>4,507,228</b>
1.4.1 Derivative financial assets at fair value through profit or loss		7,138,208	1,602,777	8,740,985	3,588,600	918,628	4,507,228
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>343,944,228</b>	<b>142,525,708</b>	<b>486,469,936</b>	<b>224,392,334</b>	<b>106,479,466</b>	<b>330,871,800</b>
<b>2.1 Loans</b>	<b>V-I-5</b>	<b>315,239,878</b>	<b>125,612,148</b>	<b>440,852,026</b>	<b>202,068,252</b>	<b>92,213,963</b>	<b>294,282,215</b>
<b>2.2 Receivables from leasing transactions</b>	<b>V-I-10</b>	<b>903,110</b>	<b>2,367,900</b>	<b>3,271,010</b>	<b>696,678</b>	<b>2,077,438</b>	<b>2,774,116</b>
<b>2.3 Factoring receivables</b>		<b>5,481,094</b>	<b>270,646</b>	<b>5,751,740</b>	<b>2,504,062</b>	<b>369,208</b>	<b>2,873,270</b>
<b>2.4 Other financial assets measured at amortised cost</b>	<b>V-I-6</b>	<b>44,218,605</b>	<b>14,528,647</b>	<b>58,747,252</b>	<b>35,004,414</b>	<b>12,010,219</b>	<b>47,014,633</b>
2.4.1 Public debt securities		44,159,655	14,342,399	58,502,054	34,945,546	11,700,580	46,646,126
2.4.2 Other financial assets		58,950	186,248	245,198	58,868	309,639	368,507
<b>2.5 Allowance for expected credit losses (-)</b>		<b>21,898,459</b>	<b>253,633</b>	<b>22,152,092</b>	<b>15,881,072</b>	<b>191,362</b>	<b>16,072,434</b>
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)</b>	<b>V-I-16</b>	<b>1,256,254</b>	<b>-</b>	<b>1,256,254</b>	<b>7,240,607</b>	<b>456,388</b>	<b>7,696,995</b>
3.1 Held for sale purpose		1,256,254	-	1,256,254	7,240,607	456,388	7,696,995
3.2 Related to discontinued operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>1,883,825</b>	<b>3</b>	<b>1,883,828</b>	<b>1,481,250</b>	<b>3</b>	<b>1,481,253</b>
<b>4.1 Investments in associates (Net)</b>	<b>V-I-7</b>	<b>1,495,974</b>	<b>3</b>	<b>1,495,977</b>	<b>1,138,780</b>	<b>3</b>	<b>1,138,783</b>
4.1.1 Associates accounted by using equity method		530,191	-	530,191	447,762	-	447,762
4.1.2 Unconsolidated associates		965,783	3	965,786	691,018	3	691,021
<b>4.2 Investments in subsidiaries (Net)</b>	<b>V-I-8</b>	<b>387,851</b>	<b>-</b>	<b>387,851</b>	<b>342,470</b>	<b>-</b>	<b>342,470</b>
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		387,851	-	387,851	342,470	-	342,470
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	<b>V-I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	<b>V-I-12</b>	<b>4,882,144</b>	<b>14,266</b>	<b>4,896,410</b>	<b>3,029,550</b>	<b>11,417</b>	<b>3,040,967</b>
<b>VI. INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>V-I-13</b>	<b>273,776</b>	<b>348</b>	<b>274,124</b>	<b>237,755</b>	<b>304</b>	<b>238,059</b>
6.1 Goodwill		14,631	-	14,631	14,631	-	14,631
6.2 Other		259,145	348	259,493	223,124	304	223,428
<b>VII. INVESTMENT PROPERTIES (Net)</b>	<b>V-I-14</b>	<b>502,143</b>	<b>-</b>	<b>502,143</b>	<b>608,990</b>	<b>-</b>	<b>608,990</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	<b>V-I-15</b>	<b>1,234,832</b>	<b>-</b>	<b>1,234,832</b>	<b>801,616</b>	<b>-</b>	<b>801,616</b>
<b>X. OTHER ASSETS</b>	<b>V-I-17</b>	<b>8,005,234</b>	<b>10,937,422</b>	<b>18,942,656</b>	<b>5,328,857</b>	<b>7,628,874</b>	<b>12,957,731</b>
<b>TOTAL ASSETS</b>		<b>415,369,302</b>	<b>296,721,215</b>	<b>712,090,517</b>	<b>266,960,424</b>	<b>166,080,705</b>	<b>433,041,129</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT DECEMBER 31, 2020**

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

	Notes	Current Period December 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	V-II-1	214,241,507	203,280,375	417,521,882	142,276,343	111,854,405	254,130,748
<b>II. BORROWINGS</b>	V-II-3	2,450,296	49,238,699	51,688,995	2,286,766	42,776,918	45,063,684
<b>III. MONEY MARKET FUNDS</b>		79,758,688	21,553,517	101,312,205	19,825,274	5,598,794	25,424,068
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	V-II-3	11,262,156	34,892,367	46,154,523	11,792,577	17,455,479	29,248,056
4.1 Bills		5,960,553	2,188,163	8,148,716	6,494,825	-	6,494,825
4.2 Asset backed securities		-	-	-	-	-	-
4.3. Bonds		5,301,603	32,704,204	38,005,807	5,297,752	17,455,479	22,753,231
<b>V. FUNDS</b>		<b>3,053</b>	-	<b>3,053</b>	<b>3,053</b>	-	<b>3,053</b>
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		3,053	-	3,053	3,053	-	3,053
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	V-II-2	4,061,171	2,022,130	6,083,301	2,226,099	1,085,898	3,311,997
7.1 Derivative financial liabilities at fair value through profit or loss		4,061,171	2,022,130	6,083,301	2,226,099	1,085,898	3,311,997
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		672	-	672	1,823	549	2,372
<b>IX. LEASE PAYABLES (Net)</b>	V-II-5	978,735	-	978,735	935,839	99	935,938
<b>X. PROVISIONS</b>	V-II-7	2,980,102	70,295	3,050,397	2,219,860	39,067	2,258,927
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		1,555,683	5,534	1,561,217	1,153,968	3,997	1,157,965
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		1,424,419	64,761	1,489,180	1,065,892	35,070	1,100,962
<b>XI. CURRENT TAX LIABILITIES</b>	V-II-8	950,476	4,329	954,805	1,138,988	3,003	1,141,991
<b>XII. DEFERRED TAX LIABILITIES</b>	V-II-8	103	57,525	57,628	1,232	30,758	31,990
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	V-II-9	-	-	-	5,018,668	353,532	5,372,200
13.1 Held for sale		-	-	-	5,018,668	353,532	5,372,200
13.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>	V-II-10	6,401,461	13,057,337	19,458,798	6,394,877	12,850,576	19,245,453
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		6,401,461	13,057,337	19,458,798	6,394,877	12,850,576	19,245,453
<b>XV. OTHER LIABILITIES</b>	V-II-4	13,798,644	3,874,792	17,673,436	9,705,538	3,612,824	13,318,362
<b>XVI. SHAREHOLDERS' EQUITY</b>	V-II-11	45,408,347	1,743,740	47,152,087	32,573,508	978,782	33,552,290
16.1 Paid-in capital	V-II-11	3,905,622	-	3,905,622	2,500,000	-	2,500,000
16.2 Capital reserves		6,265,527	-	6,265,527	839,941	-	839,941
16.2.1 Equity share premiums		6,303,347	-	6,303,347	723,962	-	723,962
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		(37,820)	-	(37,820)	115,979	-	115,979
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		1,603,596	-	1,603,596	1,285,422	-	1,285,422
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		169,087	1,210,809	1,379,896	561,289	682,614	1,243,903
16.5 Profit reserves		26,431,074	273,876	26,704,950	23,431,326	200,064	23,631,390
16.5.1 Legal reserves		2,811,181	17,882	2,829,063	2,538,782	10,669	2,549,451
16.5.2 Statutory reserves		6,337	-	6,337	6,337	-	6,337
16.5.3 Extraordinary reserves		21,810,638	252,379	22,063,017	20,061,308	185,780	20,247,088
16.5.4 Other profit reserves		1,802,918	3,615	1,806,533	824,899	3,615	828,514
16.6 Profit or loss		6,291,176	254,385	6,545,561	3,134,638	45,862	3,180,500
16.6.1 Prior years' profits or losses		196,734	11,374	208,108	(148,390)	(40,469)	(188,859)
16.6.2 Current period net profit or loss		6,094,442	243,011	6,337,453	3,283,028	86,331	3,369,359
16.7 Minority interests		742,265	4,670	746,935	820,892	50,242	871,134
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>382,295,411</b>	<b>329,795,106</b>	<b>712,090,517</b>	<b>236,400,445</b>	<b>196,640,684</b>	<b>433,041,129</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES  
TO THE CONSOLIDATED OFF-BALANCE SHEET ITEMS AS AT DECEMBER 31, 2020**

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

	Notes	Current Period December 31, 2020			Prior Period December 31, 2019		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>168,755,052</b>	<b>278,884,858</b>	<b>447,639,910</b>	<b>130,858,298</b>	<b>206,289,254</b>	<b>337,147,552</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>V-III-2</b>	<b>43,928,944</b>	<b>58,547,258</b>	<b>102,476,202</b>	<b>38,069,926</b>	<b>40,210,391</b>	<b>78,280,317</b>
1.1. Letters of guarantee	V-III-1	43,928,944	58,547,258	102,476,202	38,069,926	40,210,391	78,280,317
1.1.1. Guarantees subject to state tender law		2,594,448	10,005,488	12,599,936	2,904,236	7,080,944	9,985,180
1.1.2. Guarantees given for foreign trade operations		2,335,826	-	2,335,826	1,322,033	-	1,322,033
1.1.3. Other letters of guarantee		38,465,697	22,022,368	60,488,065	33,152,772	14,544,081	47,696,853
<b>1.2. Bank acceptances</b>		<b>4,258</b>	<b>5,111,534</b>	<b>5,115,792</b>	<b>7,842</b>	<b>4,574,992</b>	<b>4,582,834</b>
1.2.1. Import letter of acceptance		-	289,665	289,665	-	220,683	220,683
1.2.2. Other bank acceptances	V-III-4	4,258	4,821,869	4,826,127	7,842	4,354,309	4,362,151
<b>1.3. Letters of credit</b>	<b>V-III-4</b>	<b>253,982</b>	<b>20,667,442</b>	<b>20,921,424</b>	<b>141,830</b>	<b>13,590,815</b>	<b>13,732,645</b>
1.3.1. Documentary letters of credit		253,982	20,667,442	20,921,424	141,830	13,590,815	13,732,645
1.3.2. Other letters of credit		-	-	-	-	-	-
<b>1.4. Pre-financings given as guarantee</b>		<b>-</b>	<b>5,925</b>	<b>5,925</b>	<b>-</b>	<b>4,736</b>	<b>4,736</b>
<b>1.5. Endorsements</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
<b>1.6. Purchase guarantees for securities issued</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>1.7. Factoring guarantees</b>		<b>1,000</b>	<b>474,188</b>	<b>475,188</b>	<b>324,144</b>	<b>142,897</b>	<b>467,041</b>
<b>1.8. Other guarantees</b>		<b>187,331</b>	<b>106,963</b>	<b>294,294</b>	<b>51,444</b>	<b>49,964</b>	<b>101,408</b>
<b>1.9. Other warranties</b>		<b>86,402</b>	<b>153,350</b>	<b>239,752</b>	<b>165,625</b>	<b>221,962</b>	<b>387,587</b>
<b>II. COMMITMENTS</b>		<b>72,066,613</b>	<b>42,415,370</b>	<b>114,481,983</b>	<b>50,408,925</b>	<b>32,589,509</b>	<b>82,998,434</b>
<b>2.1. Irrevocable commitments</b>	<b>V-III-1</b>	<b>62,318,729</b>	<b>6,517,443</b>	<b>68,836,172</b>	<b>43,325,448</b>	<b>5,794,937</b>	<b>49,120,385</b>
2.1.1. Asset purchase and sales commitments	V-III-1	5,695,753	6,147,096	11,842,849	2,407,191	5,561,794	7,968,985
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		3,150	-	3,150	7,500	-	7,500
2.1.4. Loan granting commitments	V-III-1	26,086,273	2,419	26,088,692	18,076,739	2,340	18,079,079
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments	V-III-1	5,723,932	-	5,723,932	3,528,150	-	3,528,150
2.1.8. Tax and fund liabilities on export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits	V-III-1	21,320,698	-	21,320,698	17,293,741	-	17,293,741
2.1.10. Commitments for credit card and banking services promotions		597,623	-	597,623	484,519	-	484,519
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		2,891,000	367,928	3,258,928	1,527,608	230,803	1,758,411
<b>2.2. Revocable commitments</b>		<b>9,747,884</b>	<b>35,897,927</b>	<b>45,645,811</b>	<b>7,083,477</b>	<b>26,794,572</b>	<b>33,878,049</b>
2.2.1. Revocable loan granting commitments		9,747,884	35,897,927	45,645,811	7,083,477	26,794,572	33,878,049
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-5</b>	<b>52,759,495</b>	<b>177,922,230</b>	<b>230,681,725</b>	<b>42,379,447</b>	<b>133,489,354</b>	<b>175,868,801</b>
<b>3.1. Derivative financial instruments held for hedging purposes</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedging for investments made in foreign countries		-	-	-	-	-	-
<b>3.2. Trading transactions</b>		<b>52,759,495</b>	<b>177,922,230</b>	<b>230,681,725</b>	<b>42,379,447</b>	<b>133,489,354</b>	<b>175,868,801</b>
3.2.1. Forward foreign currency purchase and sale transactions		1,523,642	1,550,002	3,073,644	2,320,043	2,217,584	4,537,627
3.2.1.1. Forward foreign currency purchase transactions		864,639	681,888	1,546,527	1,163,458	1,109,150	2,272,608
3.2.2. Forward foreign currency sales		659,003	868,114	1,527,117	1,156,585	1,108,434	2,265,019
3.2.2.1. Currency and interest rate swaps		42,382,470	153,888,563	196,271,033	30,978,513	115,422,998	146,401,511
3.2.2.2. Currency swap purchase transactions		1,626,406	56,087,175	57,713,581	1,781,342	38,137,242	39,918,584
3.2.2.2. Currency swap sale transactions		37,636,064	20,995,076	58,631,140	25,527,171	14,629,740	40,156,911
3.2.2.3. Interest rate swap purchase transactions		1,560,000	38,403,156	39,963,156	1,835,000	31,328,008	33,163,008
3.2.2.4. Interest rate swaps sale transactions		1,560,000	38,403,156	39,963,156	1,835,000	31,328,008	33,163,008
3.2.3. Currency, interest rate and security options		247,144	919,172	1,166,316	976,987	759,416	1,736,403
3.2.3.1. Currency purchase option		143,814	430,420	574,234	367,787	294,076	661,863
3.2.3.2. Currency sale option		103,330	488,752	592,082	209,200	465,340	674,540
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	21,378,243	29,788,647	8,503,904	15,089,356	23,593,260
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>3,978,687,376</b>	<b>3,684,354,649</b>	<b>7,663,042,025</b>	<b>2,297,605,505</b>	<b>1,578,274,516</b>	<b>3,875,880,021</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>73,978,380</b>	<b>28,612,031</b>	<b>102,590,411</b>	<b>76,566,563</b>	<b>15,168,557</b>	<b>91,735,120</b>
4.1. Customer fund and portfolio balances		4,274,226	-	4,274,226	2,113,691	-	2,113,691
4.2. Securities held in custody		47,305,937	8,853,001	56,158,938	57,617,522	5,230,911	62,848,433
4.3. Checks received for collection		11,974,344	1,763,897	13,738,241	8,743,308	1,190,464	9,933,772
4.4. Commercial notes received for collection		8,327,754	1,406,998	9,734,752	6,704,176	1,084,425	7,788,601
4.5. Other assets received for collection		2,152	298	2,450	2,152	238	2,390
4.6. Securities received for public offering		-	-	-	-	-	-
4.7. Other items under custody		636,516	10,335,188	10,971,704	204,705	4,909,862	5,114,567
4.8. Custodians		1,457,451	6,252,649	7,710,100	1,181,009	2,752,657	3,933,666
<b>V. PLEDGED ITEMS</b>		<b>775,302,799</b>	<b>312,599,654</b>	<b>1,087,902,453</b>	<b>775,988,471</b>	<b>242,582,316</b>	<b>1,018,570,787</b>
5.1. Marketable securities		321,148	200,660	521,808	299,466	44,434	343,900
5.2. Guarantee notes		1,153,894	4,085,645	5,239,539	837,716	1,783,494	2,621,210
5.3. Commodity		111,710,308	3,495,630	115,205,938	106,248,275	2,762,344	109,010,619
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		529,461,764	262,692,582	792,154,346	552,289,678	193,747,833	746,037,511
5.6. Other pledged items		132,138,333	41,983,730	174,122,063	115,697,559	44,107,197	159,804,756
5.7. Depositories receiving pledged items		517,352	141,407	658,759	615,777	137,014	752,791
<b>VI. ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>3,129,406,197</b>	<b>3,343,142,964</b>	<b>6,472,549,161</b>	<b>1,445,050,471</b>	<b>1,320,523,643</b>	<b>2,765,574,114</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>4,147,442,428</b>	<b>3,963,239,507</b>	<b>8,110,681,935</b>	<b>2,428,463,803</b>	<b>1,784,563,770</b>	<b>4,213,027,573</b>

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES NOTES  
TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Current Period January 1, 2020- December 31, 2020	Prior Period January 1 2019- December 31, 2019
<b>I. INTEREST INCOME</b>	V-IV-1	<b>48,002,021</b>	<b>43,070,830</b>
1.1 Interest on loans	V-IV-1	37,070,419	35,176,932
1.2 Interest received from reserve deposits		151,349	295,226
1.3 Interest received from banks	V-IV-1	78,338	281,479
1.4 Interest received from money market transactions		3,388	4,532
1.5 Interest received from marketable securities portfolio	V-IV-1	10,414,784	7,045,289
1.5.1 Financial assets at fair value through profit or loss		115,374	111,381
1.5.2 Financial assets at fair value through other comprehensive income		4,407,480	2,211,420
1.5.3 Financial assets measured at amortised cost		5,891,930	4,722,488
1.6 Finance lease interest income		261,703	234,637
1.7 Other interest income		22,040	32,735
<b>II. INTEREST EXPENSES</b>	V-IV-2	<b>27,607,459</b>	<b>29,275,576</b>
2.1 Interest on deposits	V-IV-2	16,466,527	17,967,936
2.2 Interest on funds borrowed	V-IV-2	1,508,717	1,810,958
2.3 Interest on money market transactions		4,552,830	5,140,630
2.4 Interest on securities issued	V-IV-2	4,601,930	4,150,779
2.5 Leasing interest income		137,516	156,346
2.6 Other interest expenses		339,939	48,927
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>20,394,562</b>	<b>13,795,254</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>2,984,080</b>	<b>3,399,115</b>
4.1 Fees and commissions received		3,843,383	4,517,283
4.1.1 Non-cash loans		769,342	715,981
4.1.2 Other		3,074,041	3,801,302
4.2 Fees and commissions paid		859,303	1,118,168
4.2.1 Non-cash loans		6,651	8,387
4.2.2 Other		852,652	1,109,781
<b>V. DIVIDEND INCOME</b>	V-IV-3	<b>17,633</b>	<b>8,682</b>
<b>VI. TRADING PROFIT/LOSS (Net)</b>	V-IV-4	<b>(2,336,832)</b>	<b>(2,496,541)</b>
6.1 Profit/losses from capital market transactions	V-IV-4	1,611,005	499,899
6.2 Profit/losses from derivative financial transactions	V-IV-4	(1,552,660)	(3,660,970)
6.3 Foreign exchange profit/losses	V-IV-4	(2,395,177)	664,530
<b>VII. OTHER OPERATING INCOME</b>	V-IV-5	<b>8,080,957</b>	<b>6,581,012</b>
<b>VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>29,140,400</b>	<b>21,287,522</b>
<b>IX. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	V-IV-6	<b>11,617,157</b>	<b>8,356,813</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	V-IV-6	<b>288,433</b>	<b>138,349</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>3,476,315</b>	<b>3,141,000</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	V-IV-7	<b>5,835,903</b>	<b>5,213,200</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>7,922,592</b>	<b>4,438,160</b>
<b>XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>62,032</b>	<b>61,872</b>
<b>XVI. NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	V-IV-8	<b>7,984,624</b>	<b>4,500,032</b>
<b>XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	V-IV-11	<b>(1,577,244)</b>	<b>(991,203)</b>
18.1 Current tax provision	V-IV-11	(2,037,612)	(1,873,816)
18.2 Expense effect of deferred tax (+)	V-IV-11	(1,935,535)	(1,104,237)
18.3 Income effect of deferred tax (-)	V-IV-11	2,395,903	1,986,850
<b>XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	V-IV-10	<b>6,407,380</b>	<b>3,508,829</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1 Income from assets held for sale		-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other income from discontinued operations		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3 Other expenses from discontinued operations		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current tax provision		-	-
23.2 Expense effect of deferred tax (+)		-	-
23.3 Income effect of deferred tax (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSSES (XIX+XXIV)</b>	V-IV-12	<b>6,407,380</b>	<b>3,508,829</b>
25.1 Group's profit/(loss)		6,337,453	3,369,359
25.2 Minority shares (-)	V-IV-13	69,927	139,470
Profit/Loss per 100 shares (full TL)	III-XXIV	1.8986	1.3477

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
YEAR ENDED DECEMBER 31, 2020**

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

<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		<b>Current Period January 1, 2020- December 31, 2020</b>	<b>Prior Period January 1, 2019- December 31, 2019</b>
<b>I.</b>	<b>PROFIT (LOSS)</b>	<b>6,407,380</b>	<b>3,508,829</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>453,443</b>	<b>1,139,363</b>
<b>2.1.</b>	<b>Other comprehensive income that will not be reclassified to profit or loss</b>	<b>317,450</b>	<b>(16,681)</b>
2.1.1.	Gains (Losses) on Revaluation of Property, Plant and Equipment	222,193	(270,011)
2.1.2.	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3.	Gains (losses) on remeasurements of defined benefit plans	(94,754)	(75,694)
2.1.4.	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	204,035	207,492
2.1.5.	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(14,024)	121,532
<b>2.2.</b>	<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>135,993</b>	<b>1,156,044</b>
2.2.1.	Exchange Differences on Translation	259,352	100,132
2.2.2.	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	28,544	1,231,273
2.2.3.	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4.	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	(141,050)	58,934
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	(10,853)	(234,295)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>6,860,823</b>	<b>4,648,192</b>

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

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

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARENDED DECEMBER 31, 2020  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	STATEMENT OF CHANGES IN SHAREHOLDERS						Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss				Total SE Except minority share	Minority Shareholders' interest	Total Shareholders' Equity					
	Current Period December 31, 2020	Notes	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4				5	6	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	
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	-	32,081,156	871,134	33,552,290
II. Corrections and Accounting Policy Changes Made			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effects of Corrections According to TAS 8			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effects of the Changes in Accounting Policies			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (F+H)			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	-	32,081,156	871,134	33,552,290
IV. Total Comprehensive Income			-	-	-	-	198,103	(75,295)	195,366	259,352	17,691	(141,050)	-	-	-	6,337,453	6,791,620	6,860,823
V. Capital Increase by Cash			1,405,622	5,579,385	-	-	-	-	-	-	-	-	-	-	-	-	-	6,985,007
VI. Internal Resources			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes			-	-	-	(153,799)	-	-	-	-	-	-	-	-	-	(52,631)	(193,402)	(246,033)
XI. Profit Distribution			-	-	-	-	-	-	-	-	-	-	208,869	(107,701)	-	-	-	-
11.1. Dividends paid		V-V-5	-	-	-	-	-	-	-	-	-	-	2,864,691	(2,864,691)	-	-	-	-
11.2. Transfers to Reserves		V-V-5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3. Other			-	-	-	-	-	-	-	-	-	-	2,864,691	(2,864,691)	-	-	-	-
Ending Balance			3,905,622	6,303,347	-	(37,820)	892,001	(181,267)	892,862	666,826	897,478	(184,408)	26,704,950	2,081,108	6,337,453	46,405,152	746,935	47,152,087

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

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Prior Period December 31, 2019	Notes	Paid in Capital	Share Cancellation Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss						Current Period Profit or (Loss)	Total SE Except minority share	Minority Shareholders' Interest	Total Shareholders' Equity		
						1	2	3	4	5	6					Reserves	Prior Period Profit or (Loss)
I.	Prior Period End Balance	2,500,000	724,276	-	91,433	776,360	(41,357)	441,729	307,342	(117,769)	(102,292)	18,687,653	5,096,704	-	28,364,079	741,674	29,105,753
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	724,276	-	91,433	776,360	(41,357)	441,729	307,342	(117,769)	(102,292)	18,687,653	5,096,704	-	28,364,079	741,674	29,105,753
IV.	Total Comprehensive Income	-	-	-	(82,462)	(64,615)	255,767	-	100,132	997,556	58,934	-	-	3,369,359	4,634,671	13,521	4,648,192
V.	Capital increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase by Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	(314)	-	24,546	-	-	-	-	-	220,695	-	(562,521)	(317,594)	115,939	(201,655)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	4,723,042	(4,723,042)	-	-	-	-	-
11.1.	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending Balance	2,500,000	723,962	-	115,979	693,898	(105,972)	697,496	407,474	879,787	(43,358)	23,631,390	(188,859)	3,369,359	32,681,156	871,134	33,552,290

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

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Current Period December 31, 2020	Prior Period December 31, 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>I.1 Operating profit before changes in operating assets and liabilities (+)</b>		<b>5,117,759</b>	<b>4,227,641</b>
1.1.1 Interest received (+)		39,899,527	38,572,024
1.1.2 Interest paid (-)		(27,588,024)	(29,315,375)
1.1.3 Dividends received (+)		17,633	8,682
1.1.4 Fees and commissions received (+)		4,488,853	4,900,049
1.1.5 Other income (+)		310,576	1,436,108
1.1.6 Collections from previously written off loans and other receivables (+)		4,620,474	2,588,979
1.1.7 Cash payments to personnel and service suppliers (-)		(3,734,404)	(3,421,139)
1.1.8 Taxes paid (-)		(2,463,361)	(2,611,647)
1.1.9 Other (+/-)	V-VI-1	(10,433,515)	(7,930,040)
<b>I.2 Changes in operating assets and liabilities subject to banking operations</b>		<b>59,904,144</b>	<b>9,311,696</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss (+/-)		(5,098,212)	(2,483,456)
1.2.2 Net decrease (increase) in due from banks (+/-)		(28,573,163)	5,186,759
1.2.3 Net decrease (increase) in loans		(142,419,565)	(58,002,787)
1.2.4 Net decrease (increase) in other assets (+/-)		(10,222,523)	(3,704,373)
1.2.5 Net increase (decrease) in bank deposits (+/-)		12,514,480	3,467,320
1.2.6 Net increase (decrease) in other deposits (+/-)		149,575,049	68,765,791
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 (+/-)		6,313,324	(232,410)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	V-VI-1	77,814,754	(3,685,148)
<b>I. Net cash provided from banking operations(+/-)</b>		<b>65,021,903</b>	<b>13,539,337</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities(+/-)</b>		<b>(63,480,374)</b>	<b>(16,208,303)</b>
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(86,913)	(181,576)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		700	1,342
2.3 Cash paid for the purchase of tangible and intangible asset (-)		(2,869,989)	(446,485)
2.4 Cash obtained from the sale of tangible and intangible asset (+)		1,084,778	617,688
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income (-)		(78,589,443)	(23,053,852)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income (+)		22,321,668	11,743,882
2.7 Cash paid for the purchase of financial assets at amortised cost (-)		(10,980,105)	(6,514,751)
2.8 Cash obtained from sale of financial assets at amortised cost (+)		5,718,504	1,664,238
2.9 Other (+/-)	V-VI-1	(79,574)	(38,789)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flows from financing activities (+/-)</b>		<b>22,936,449</b>	<b>11,836,288</b>
3.1 Cash obtained from funds borrowed and securities issued (+)		36,069,490	31,528,262
3.2 Cash outflow from funds borrowed and securities issued (-)		(19,755,746)	(19,336,122)
3.3 Equity instruments issued (+)		7,000,000	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance lease liabilities (-)		(377,295)	(355,852)
3.6 Other (+/-)		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	V-VI-1	<b>25,608</b>	<b>545,639</b>
<b>V. Net increase/decrease in cash and cash equivalents (I+II+III+IV)</b>		<b>24,503,586</b>	<b>9,712,961</b>
<b>VI. Cash and cash equivalents at beginning of the period (+)</b>	V-VI-4	<b>31,092,461</b>	<b>21,379,500</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>	V-VI-4	<b>55,596,047</b>	<b>31,092,461</b>

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

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	Notes	Current Period December 31, 2020	Prior Period December 31, 2019
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>			
<b>1.1 CURRENT YEAR'S PROFIT</b>		6,439,273	3,612,583
<b>1.2 TAXES AND LEGAL DUTIES PAYABLE</b>		(1,428,817)	(810,292)
1.2.1 Corporate tax (income tax)	V-IV-11	(1,899,145)	(1,715,496)
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties (*)	V-IV-11	470,328	905,204
<b>A. NET PROFIT FOR THE YEAR</b>		<b>5,010,456</b>	<b>2,802,291</b>
<b>1.3 DEFERED TAX INCOME TRANSFERRED TO OTHER RESERVES</b>	V-IV-11	-	-
<b>B. NET PROFIT FOR THE YEAR AFTER DEFERRED TAX INCOME</b>		-	-
<b>1.4 ACCUMULATED LOSSES</b>		-	-
<b>1.5 FIRST LEGAL RESERVES</b>	V-V-5	-	94,855
<b>1.6 OTHER STATUTORY RESERVES</b>	V-V-5	-	94,854
<b>C. NET PROFIT AVAILABLE FOR DISTRIBUTION(**)</b>		-	1,707,378
<b>1.7 FIRST DIVIDEND TO SHAREHOLDERS</b>		-	-
1.7.1 To owners of ordinary shares		-	-
1.7.2 To owners of privileged shares		-	-
1.7.3 To owners of redeemed shares		-	-
1.7.4 To profit sharing bonds		-	-
1.7.5 To holders of profit and loss sharing certificates		-	-
<b>1.8 DIVIDENDS TO PERSONNEL</b>		-	-
<b>1.9 DIVIDENDS TO BOARD OF DIRECTORS</b>		-	-
<b>1.10 SECOND DIVIDEND TO SHAREHOLDERS</b>		-	-
1.10.1 To owners of ordinary shares		-	-
1.10.2 To owners of privileged shares		-	-
1.10.3 To owners of redeemed shares		-	-
1.10.4 To profit sharing bonds		-	-
1.10.5 To holders of profit and loss sharing certificates		-	-
<b>1.11 SECOND LEGAL RESERVES</b>		-	-
<b>1.12 STATUS RESERVES</b>		-	-
<b>1.13 EXTRAORDINARY RESERVES</b>	V-V-5	-	1,634,563
<b>1.14 OTHER RESERVES</b>		-	-
<b>1.15 SPECIAL FUNDS</b>	V-V-5	-	72,815
<b>II. DISTRIBUTION FROM RESERVES</b>		-	-
<b>2.1 DISTRIBUTION OF RESERVES</b>		-	-
<b>2.2 SECOND LEGAL RESERVES</b>		-	-
<b>2.3 DIVIDENDS TO SHAREHOLDERS</b>		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
<b>2.4 DIVIDENDS TO PERSONNEL</b>		-	-
<b>2.5 DIVIDENDS TO BOARD OF DIRECTORS</b>		-	-
<b>III. EARNINGS PER SHARE</b>			
<b>3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)</b>		<b>1.5408</b>	<b>1.1209</b>
<b>3.2 TO OWNERS OF ORDINARY SHARES (%)</b>		<b>154.08</b>	<b>112.09</b>
<b>3.3 TO OWNERS OF PRIVILEGED SHARES</b>		-	-
<b>3.4 TO OWNERS OF PRIVILEGED SHARES (%)</b>		-	-
<b>IV. DIVIDEND PER SHARE</b>			
<b>4.1 TO OWNERS OF ORDINARY SHARES</b>		-	-
<b>4.2 TO OWNERS OF ORDINARY SHARES (%)</b>		-	-
<b>4.3 TO OWNERS OF PRIVILEGED SHARES</b>		-	-
<b>4.4 TO OWNERS OF PRIVILEGED SHARES (%)</b>		-	-

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

(\*\*) As of the report date, distributable net profit of the period is not shown as any decision regarding the 2020 profit distribution is not taken.

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**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 and Turkish Financial Reporting Standards (“TFRS”) enforced by Public Oversight, Accounting and Auditing Standards Authority (“POA”) and related appendices and interpretations (together referred as BRSA Accounting and Reporting Legislation). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” and amendments to this Communiqué. General board and some regulatory authorities has the authorization to change the legal financial statements after they are published. The Parent Bank maintains its accounting records in Turkish Lira, in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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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, communiques, explanations and circulars published in accordance with the accounting and financial reporting principles and if no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS.

The 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. 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 December 31, 2020, in the following sections. In addition, while preparing the financial statements dated December 31, 2020, the fair value measurements were reviewed within the scope of TFRS 13 Fair Value Measurement standard.

The Indicator Interest Rate Reform - Phase 2, which introduced changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 1, 2021, was published in December 2020 and early implementation of the changes is permitted. With the amendments made, certain exceptions are provided in the basis for determining contractual cash flows and hedge accounting provisions. The changes have not been implemented early and the developments are being evaluated by the Parent Bank. From items indexed to benchmark interest rates, loans and securities constitute assets; securities issued and loans borrowed through repo constitute liabilities in the Parent Bank’s financial statements. The effects of these changes on the financial statements and performance of the Parent Bank are evaluated by the management. As of 31 December 2020, the Parent Bank does not have any hedging transactions for interest rate risk.

**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.

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**ACCOUNTING POLICIES (Continued)**

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

**Strategy for the use of financial instruments**

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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**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 Bank. Since the reporting period of 30 September 2016, the Group has been implementing net investment hedging strategy in order to avoid foreign exchange risk arising from the Group’s € 75.7 million share capital in the VakıfBank International AG's € 100 million paid-in capital. In this context, 76.8 Million EUR portion of the securities issued by the Bank on 4 May 2016 with a nominal amount of 500 million Euros and the redemption date of 4 May 2021, 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 other accumulated comprehensive income or expenses to be reclassified in profit or loss under equity as long as the hedging transaction is effective. In this context, as of December 31, 2020, the foreign exchange income presented in the income statement is TL 184,408. 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 December 31, 2020, 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.

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**ACCOUNTING POLICIES (Continued)**

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

***Consolidated subsidiaries***

As at and for the year ended December 31, 2020, 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.

A share transfer agreement was signed with TVF Finansal Yatırımlar AŞ on April 22, 2020 for Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ and the same share transfers were completed as of the same date. In the previous period, the aforementioned subsidiaries were consolidated over Non-Current Assets or Disposal Groups "Held for Sale" and "From Discontinued Operations" in the Assets and Liabilities section of the balance sheet, and in the income statement they were consolidated with full consolidation method. Subsidiaries were excluded from the scope of consolidation after the transaction. Balances belonging to income and expense items realized until the sale transaction date of the mentioned subsidiaries are accounted in the consolidated income statement.

*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 7<sup>th</sup> and 9<sup>th</sup> articles of 41/2008 numbered Law of International Banking Units. World Vakıf UBB Ltd. will be liquidated according to May 24, 2010 dated decision of the Nicosia Local Court. Therefore, the financial statements of the company have not been consolidated as at December 31, 2020 and December 31, 2019 but until the liquidation decision date its accumulated previous years' loss has been included in the accompanying consolidated financial statements.

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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 December 31, 2020 and December 31, 2019, but its equity until the merger date has been included in the accompanying consolidated financial statements.

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

As at and for the year ended December 31, 2020, the financial statements of Kıbrıs Vakıflar Bankası Ltd and Türkiye Sınai Kalkınma Bankası AŞ have been consolidated per equity method in the consolidated financial statements of the Group.

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

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

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

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

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

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

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

Embedded derivative products are not separated from the articles of association and are accounted according to the standard on which the articles of association are based. As of December 31, 2020, the Parent Bank does not have any embedded derivative financial instruments.

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**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.

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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 includes assessing whether the financial asset includes a contractual condition that could change the timing or amount of contractual cash flows.

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

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

**Financial assets at fair value through profit or loss**

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

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

**Financial Assets at Fair Value Through Other Comprehensive Income**

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

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

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

**Financial Assets Measured at Amortized Cost**

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

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

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

**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 "IFRS 9 Financial Instruments" (IFRS 9). Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts.

The information of classification of derivative instruments are disclosed in Section 3 Note IV.

**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.

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**ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON EXPECTED CREDIT LOSS PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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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 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 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 December 2020.

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

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

Restruction: Classification of financial assets under the Stage2 as a result of the emergence of privileges and financial difficulties in the case of restructuring of financial receivables.

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

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

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

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 June 2021 according to the decision of the BRSA dated 8 December 2020 and numbered 9312. 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 criteria;

- 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

Due to COVID-19, effective as of 17 March 2020, the "more than 90 days past due" condition used in the definition of default for the classification of loans has started to be applied as "more than 180 days past due" in accordance with the 4th and 5th articles of "Regulation on Classification of Loans and Procedures and Principles for Provisions to Be Allocated for them" announcement of BRSA. This regulation will be valid until 30 June 2021 according to the decision of the BRSA dated 8 December 2020 and numbered 9312. In this context, receivables that are not collected by the Parent Bank for up to 180 days can be classified under the Second Group. The Parent Bank, continues the calculate expected credit loss according to its own risk models for these loans. For loans that are not subject to individual evaluation on a customer basis and have a delay of more than 90 days, the Parent Bank determines the information and factors that cannot be included in the expected credit loss calculations based on expert opinion and reflects them in the provision.

**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 890,789 for which 100% provision has been made. (31 December 2019: None.)

**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 31 December 2020 and 31 December 2019, there are no transactions of this nature at the Parent Bank.

**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.

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

On April 22, 2020, a share transfer agreement was signed between TVF Financial Investments as the buyer and the Parent Bank as the seller, in order to transfer the Parent Banks shares which represent 51.1% of Güneş Sigorta AŞ's capital and 53.9% of Vakıf Emeklilik ve Hayat AŞ's capital to TVF Financial Investments AŞ ("TVF Financial Investments"). The share transfer has been completed as of the same date.

As of April 22, 2020, all of the shares owned by the Parent Bank in Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ were transferred to TVF Finansal Yatırımlar AŞ, and the Parent Bank have not had any shares left in the relevant companies.

**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 December 31, 2020, the goodwill amount is TL 14,631.(December 31, 2019: 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 Parent Bank allocates amortization shares of intangible fixed assets over their inflation adjusted values using the straight-line depreciation method according to the useful lives of the related assets.

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**ACCOUNTING POLICIES (Continued)**

**XII. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)**

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

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

**XIII. INFORMATION ON TANGIBLE ASSETS**

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

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

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

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

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

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

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

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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 "IFRS 16 Leases" effective as of January 1, 2019, and on the transition date, the Group has applied the simplified transition approach and elected not to restate comparative figures. The group operates as a lessee and lessor.

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

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

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

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

**XV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND ASSETS**

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

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

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

**Reserve for employee termination benefits**

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2020 is TL 7,117 (full TL) (December 31, 2019: TL 6,380 (full TL)).

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

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**ACCOUNTING POLICIES (Continued)**

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

As of December 31, 2020, and December 31, 2019, actuarial estimates used are

	Current Period – December 31, 2020	Prior Period – December 31, 2019
Discount Rate	12.80%	12.10%
Estimated Inflation Rate	9.50%	8.20%
Increase in Real Wage Rate	10.50%	9.20%

**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.

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.

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**ACCOUNTING POLICIES (Continued)**

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

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 December 31, 2020.

**XVII. INFORMATION ON TAXATION**

**Corporate tax**

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

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

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

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

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

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

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

**Corporation tax legislation for the foreign branches**

**Bahrain**

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.

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**ACCOUNTING POLICIES (Continued)**

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

***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.

**Deferred taxes**

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

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

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

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

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

**Transfer Pricing**

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

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

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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 TL 1, 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 December 31, 2020, Vakıf Finansal Kiralama AŞ, a consolidated subsidiary of the Group, has unused investment incentives amounting to TL 150,852 (December 31, 2019: TL 197,513).

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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 X.

**XXIV. OTHER MATTERS**

**Earnings per shares**

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

As at and for the year ended December 31, 2020, earnings per 100 shares are full TL 1.8986 (December 31, 2019: full TL 1.3477).

**Related parties**

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

**Insurance operations**

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

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

For the contracts that the Group has committed to pay dividends, from the income of the assets on which the provisions set aside for their liabilities to policyholders and beneficiaries, limited to the technical interest income calculated according to the dividend distribution system specified in the approved dividend technical principles, the amount including the guaranteed portion, consists of accumulated dividend provisions from previous years.

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

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

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

**Individual pension business**

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

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

In addition to the 'payables to participants' account, mentioned in the previous paragraph, individual pension system payables also includes participants' temporary accounts, and payables to individual pension agencies. The temporary account of participants includes the contributions of participants that have not yet been invested.

Fees received from individual pension business consist of investment management fees, fees levied on contributions and entrance fees.

**Classifications**

In the previous periods "Gain on Sale of Immovable and Shares of Associates and Subsidiaries" which was classified under "Other Accumulated Comprehensive Income or Expenses that will not be Reclassified in Profit or Loss" in the balance sheet, were classified under "Other Profit Reserves" in the balance sheet dated 31 December 2020, and the balance sheet dated 31 December 2019 is shown in accordance with the current period.

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**ACCOUNTING POLICIES (Continued)**

**XXIV. OTHER MATTERS (Continued)**

**Explanations on TFRS 16 Standard**

TFRS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and to provide them with appropriate information. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements.

The Parent Bank has applied the simplified transition approach and elected not to restate comparative figures. The Parent Bank has not reassessed whether a contract is a lease or not a lease at the date of initial application for leases previously classified as operating leases in accordance with TAS 17 by preferring simplified transition approach. For the leases previously classified as operational leases in accordance with TAS 17, the lease liability calculated on the present value of the remaining lease payments, discounted using the alternative borrowing interest rate of the lessee at the initial application date is reflected to the financial statements. A right of use is also reflected in the financial statements at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately prior to the initial application date, adjusted for the amount of all prepayment or accrued lease payments.

The amounts recognized under IFRS 16 as of December 31, 2020 and December 31, 2019 are presented below.

<b>Current Period-December 31, 2020</b>	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Lease payables	1,326,014	23,835	1,349,849
Deferred rental expenses(-)	368,083	3,031	371,114
<b>Lease payables (Net)</b>	<b>957,931</b>	<b>20,804</b>	<b>978,735</b>
Right of use assets	880,554	19,267	899,821

<b>Prior Period -December 31, 2019</b>	<b>Service Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Lease payables	1,413,536	20,589	1,434,125
Deferred rental expenses(-)	495,782	2,405	498,187
<b>Lease payables (Net)</b>	<b>917,754</b>	<b>18,184</b>	<b>935,938</b>
Right of use assets	876,242	16,979	893,221

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 Parent 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, TL 81,040 of lease payments were made in the related period. (December 31, 2019: TL 92,870)

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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 December 8, 2020 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.

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.

As of December 31, 2020 Group’s equity amount TL 66,178,344. (December 31, 2019: TL 52,330,948) and capital adequacy ratio is 16.05 % (December 31, 2019: 16.22 %).

**Information about the consolidated shareholder equity items**

Current Period - December 31, 2020	Amount	Amount as per the regulation before 1/1/2014(*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
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 <sup>(1)</sup>	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	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>47,362,213</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	176,087	-
Leasehold Improvements on Operational Leases	187,151	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	270,836	274,124
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>634,074</b>	-
<b>Common Equity Tier 1 capital (CET1)</b>	<b>46,728,139</b>	-
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	-
Bank’s borrowing instruments and related issuance premium	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)	-	-
<b>Additional Tier 1 Capital before deductions</b>	<b>11,397,014</b>	-
<b>Deductions from Additional Tier 1 Capital</b>		
Bank’s a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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

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

	Amount	1/1/2014(*)	Amount as per the regulation before
<b>Current Period- December 31, 2020</b>			
<b>Transition from the Core Capital to Continue to deduce Components</b>			
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-	-
<b>Total Additional Tier 1 Capital (ATI)</b>	<b>11,397,014</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	<b>58,125,153</b>	-	-
<b>TIER 2 CAPITAL</b>			
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	-	-
<b>Tier 2 Capital Before Deductions</b>	<b>8,064,303</b>	-	-
<b>Deductions From Tier 2 Capital</b>			
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-	-
Other Items Determined by BRSA (-)	-	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-	-
<b>Tier 2 Capital</b>	<b>8,064,303</b>	-	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	<b>66,189,456</b>	-	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	-	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	11,112	-	-
Other items to be defined by the BRSA (-)	-	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>			
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-
<b>TOTAL CAPITAL</b>			
Total Capital	66,178,344	-	-
Total Risk Weighted Amounts	412,226,342	-	-
<b>CAPITAL ADEQUACY RATIOS</b>			
Consolidated Core Capital Adequacy Ratio (%)	11.34	-	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	14.10	-	-
Consolidated Capital Adequacy Ratio (%)	16.05	-	-
<b>BUFFERS</b>			
Total buffer requirement (a+b+c)	3,5160	-	-
a) Capital conservation buffer requirement (%)	2,5000	-	-
b) Bank specific counter-cyclical buffer requirement (%)	0,016	-	-
c) Systemically important banks buffer requirement (%) (**)	1,0000	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.84	-	-
<b>Amounts below deduction thresholds</b>			
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-	-
Mortgage servicing rights	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>			
General provisions for standard based receivables (before 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	-	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>			
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-	-

(\*)In accordance with the BRSA's regulation dated December 8, 2020 and numbered 9312, in the calculation of the capital adequacy ratio, the equity amount calculated without taking into account the negative valuation differences regarding the securities included in the "Securities with Fair Value Differences Reflected in Other Comprehensive Income" portfolio acquired before December 8, 2020.

(\*\*)It will be filled only by systemically important banks that do not have the obligation to prepare consolidated financial statements within the scope of the 4th paragraph of Article 4 of the Regulation on Systemically Important Banks, and will be reported as zero by other banks.

(\*\*\*)In accordance with the BRSA's regulation dated December 8, 2020 and numbered 9312, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was taken into account in the calculation of the amount subjected to credit risk

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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, 2019	Amount	Amount as per the regulation before 1/1/2014(*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in capital to be entitled for compensation after all creditors	2,500,000	
Share Premium	723,962	
Reserves	23,631,390	
Income recognized under equity in accordance with TAS	2,769,902	
Profit	3,180,500	
Current Period's Profit	3,369,359	
Prior Period's Profit	(188,859)	
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period's profit	115,979	
Minority shares	859,371	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>33,781,104</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9	-	-
Net loss for the prior year losses and uncovered portion of the total reserves and losses that are recognized under equity in accordance with TAS	240,577	-
Leasehold Improvements on Operational Leases	194,483	-
Goodwill netted with deferred tax liability	-	-
Other intangible assets netted with deferred tax liabilities except mortgage servicing rights	234,853	238,059
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Excess amount expressed in the law (Article 56 4th paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	-
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount of deferred tax assets from temporary differences	-	-
Other Items Determined by BRSA	-	-
The amount to be deducted from common equity tier 1 capital	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>669,913</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>33,111,191</b>	
<b>Additional Tier 1 capital: instruments</b>		
Premiums that are not included in Common Equity Tier 1 capital	-	
Bank's borrowing instruments and related issuance premium	9,670,380	
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	-	
Third parties' share in the Additional Tier 1 capital -	-	
Third parties' share in the Additional Tier 1 capital (Temporary Article 3)	-	
<b>Additional Tier 1 Capital before deductions</b>	<b>9,670,380</b>	
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's a direct or indirect investment in Tier 1 Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10%	-	-
Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-

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

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

	Amount	Amount as per the regulation before 1/1/2014(*)
<b>Prior Period- December 31, 2019</b>		
<b>Transition from the Core Capital to Continue to deduct Components</b>	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	9,670,380	-
<b>Total Tier 1 Capital (Tier 1 Capital+Common Equity+Additional Tier 1 Capital)</b>	42,781,571	-
<b>TIER 2 CAPITAL</b>		
Bank's borrowing instruments and related issuance premium	5,873,555	-
Bank's borrowing instruments and related issuance premium (Temporary Article 4)	488,644	-
Third parties' share in the Tier II Capital -	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	11,763	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	3,669,673	-
<b>Tier 2 Capital Before Deductions</b>	9,554,991	-
<b>Deductions From Tier 2 Capital</b>	-	-
Bank's direct or indirect investment in Tier 2 Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by Financial Institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Tier 2 Capital</b>	9,554,991	-
<b>Total Capital (The sum of Tier 1 Capital and Tier 2 Capital)</b>	52,336,562	-
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	5,614	-
Other items to be defined by the BRSA (-)	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
<b>TOTAL CAPITAL</b>		
Total Capital	52,330,948	-
Total Risk Weighted Amounts	322,729,325	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	10.26	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.26	-
Consolidated Capital Adequacy Ratio (%)	16.22	-
<b>BUFFERS</b>		
Total buffer requirement (a+b+c)	3,520	-
a) Capital conservation buffer requirement (%)	2,500	-
b) Bank specific counter-cyclical buffer requirement (%)	0,020	-
c) Systemically important banks buffer requirement (%) <sup>(*)</sup>	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 (%)	5.76	-
<b>Amounts below deduction thresholds</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	-
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Limits related to provisions considered in Tier 2 calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,736,281	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	3,669,673	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	-

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

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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

I. INFORMATION ON CONSOLIDATED EQUITY ITEMS (Continued)

Summary information related to capital adequacy ratio

Current Period - December 31, 2020	T. Vakıflar Bankası T.A.O. XS084928190 / US90015NAB91	T. Vakıflar Bankası T.A.O. XSI551747733 / US90015WAE30	T. Vakıflar Bankası T.A.O. TRSVKFB92719	T. Vakıflar Bankası T.A.O. TRSVKFB92719	T. Vakıflar Bankası T.A.O. XS198464812	T. Vakıflar Bankası T.A.O. TRSVKFB92925
Unique identifier (CUSIP, ISIN vb.)						
Governing law(s) of the instrument	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB- VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
<b>Regulatory treatment</b>						
Subject to 10% deduction as of 1/1/2015	Subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available
Eligible at solo/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.	Only one call option is available.	Only one call option is available.	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, 2019	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.	T. Vakıflar Bankası T.A.O.
Issuer	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733/ US90015WAE30	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719
Unique identifier (CUSIP, ISIN vb.)	XS0849728190/ US90015NAB91	XS1175854923/ US90015WAC73	XS1551747733/ US90015WAE30	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719	TRSVKFB92719
Governing law(s) of the instrument	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity	Debt Instrument Communicative numbered CMB-VII-128.8 BRSA regulation on bank's shareholder equity BRSA Communicative on Principles Regarding Debt Securities to be Included in the Calculation of Banks' Equity
Subject to 10% deduction as of 1/1/2015	Subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available	Not subject to deduction. Available
Eligible at solo/group&solo	Available	Available	Available	Available	Available	Available	Available	Available
Instrument type	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)	Additional Capital Bond Issuance (Tier I Capital)	Additional Capital Bond Issuance (Tier I Capital)	Bond Issuance Possessing Subordinated Loan Conditions (Tier II Capital)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	488	2,780	1,355	525	4,994	4,677	4,677	725
Par value of instrument (in million)	4,119	2,788	1,355	525	4,994	4,677	4,677	725
Accounting classification	347011- Subordinated Liabilities	347011- Subordinated Liabilities	347011- Subordinated Liabilities	346011- Subordinated Liabilities	346001- Subordinated Liabilities	347001- Subordinated Liabilities	346011- Subordinated Liabilities	346011- Subordinated Liabilities
Original date of issuance	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019	September 27, 2019
Perpetual or dated	Dated (10 years) Maturity Date: November 1, 2022	Dated (10 years) Maturity Date: February 3, 2025	Dated (10 years) Maturity Date: November 1, 2027	Dated (10 years) Maturity Date: September 6, 2027	Undated	Undated	Undated	Dated (10 years) Maturity Date: September 14, 2029
Issue date	November 1, 2012	February 2, 2015	February 13, 2017	September 18, 2017	September 27, 2018	April 24, 2019	September 27, 2019	September 27, 2019
Issuer call subject to prior supervisory approval	Available	Available	Available	Available	Available	Available	Available	Available
Call option dates, conditioned call dates and call amount	Not available.	Early call date at February 3, 2020 is available.	Early call date at November 1, 2022 is available.	Early call date at the end of five years.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call option at the end of five years is available and this option may be used depending on the BRSA approval.	Early call date at the end of five years.
Subsequent call dates, if applicable	Not available.	Only one call option is available.	Only one call option is available.	Only one call option is available.	September 27, 2023	April 24, 2024	September 27, 2023	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)

Coupons / dividends									
Fixed or floating dividend/coupon	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months, principal payment at the maturity date	Floating interest rate/Interest payment once in three months, principal payment at the maturity date	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in six months	Fixed interest rate / Interest payment once in a year	Floating interest rate/ Interest payment once in three months, principal payment at the maturity date	
Coupon rate and any related index	6% fixed interest rate	6.875% fixed interest rate	8% fixed interest rate	5 years maturity "Indicator Government Debt Security" +350 basis points	12.62 % fixed interest rate	5.076 % fixed interest rate	TLREF + 150 basis points		
Existence of a dividend stopper	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
Fully discretionary, partially discretionary or mandatory	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative		
			<b>Convertible or non-convertible</b>						
If convertible, conversion trigger (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
If convertible, fully or partially	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
If convertible, conversion rate	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
If convertible, mandatory or optional conversion	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
If convertible, specify instrument type convertible into	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
If convertible, specify issuer of instrument it converts into	Nil	Nil	Nil	Nil	Nil	Nil	Nil		
			<b>Write-down feature</b>						
If write-down, full or partial	Not available.	Not available.	Not available.	Not available.	Not available.	Not available.	Not available.		
If write-down, permanent or temporary	Not available.	Not available.	Not available.	Not available.	Not available.	Not available.	Not available.		
If temporary write-down, description or write-up mechanism	Not available.	Not available.	Not available.	Not available.	Not available.	Not available.	Not available.		
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	Before the debt instruments to be included in the additional capital calculation, after the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.	After the debt instruments to be included in secondary capital calculation, the depositors and all other creditors.		
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 8	Possess Article 7	Possess Article 7	Possess Article 7	Possess Article 8	
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Not Possess Article 7	Possess Article 7	Possess Article 7	Possess Article 7	Not Possess Article 7	

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

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

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

	<b>Current Period December 31, 2020</b>	<b>Prior Period December 31, 2019</b>
Shareholders' equity	47,152,087	33,552,290
Valuation differences of the marketable securities	35,815	-
Leasehold improvements on operational leases	(187,151)	(194,483)
Goodwill and intangible assets	(270,836)	(234,853)
General provision (1.25% of the amount that subject to credit risk)	4,791,107	3,669,673
Subordinated debt	14,668,434	15,543,935
Deductions from shareholders' equity	(11,112)	(5,614)
<b>Capital</b>	<b>66,178,344</b>	<b>52,330,948</b>

(\*) 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 CREDIT RISK**

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

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

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

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

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

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

For credit risk management purposes, Risk Management Department operates in

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

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

In addition, in accordance with the BRSA regulation dated December 8, 2020 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.

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

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

The Group's largest 100 cash loan customers compose 29.07% of the total cash loan portfolio (December 31, 2019: 30.29%).

The Group's largest 100 non-cash loan customers compose 48.33% of the total non-cash loan portfolio (December 31, 2019: 48.82%).

The Group's largest 100 cash loan customers compose 17.27% of total assets of the Group and the Group's largest 100 non-cash loan customers compose 11.06% of total off-balance sheet items (December 31, 2019: 19.36% and 11.34%).

The Group's largest 200 cash loan customers compose 35.46% of the total cash loan portfolio (December 31, 2019: 37.82%).

The Group's largest 200 non-cash loan customers compose 62.19% of the total non-cash loan portfolio (December 31, 2019: 63.27%).

The Group's largest 200 cash loan customers compose 21.06% of total assets of the Group and the Parent Bank's largest 200 non-cash loan customers compose 14.24% of total off-balance sheet items (December 31, 2019: 24.18% and 14.69%).

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

**Information on loan types and expected loss provisions:**

Current Period-December 31, 2020	Commercial Loans		Consumer Loans		Credit Cards		Total	
	Balance	Provision	Balance	Provision	Balance	Provision	Balance	Provision
<b>Loans</b>	<b>336,395,807</b>	<b>18,833,317</b>	<b>97,977,844</b>	<b>2,197,849</b>	<b>15,501,125</b>	<b>1,114,329</b>	<b>449,874,776</b>	<b>22,145,495</b>
Stage 1	279,793,494	2,335,219	94,967,658	513,241	14,393,403	330,780	389,154,555	3,179,240
Stage 2	41,294,689	4,971,400	1,251,391	248,036	243,970	28,919	42,790,050	5,248,355
Stage 3	15,307,624	11,526,698	1,758,795	1,436,572	863,752	754,630	17,930,171	13,717,900
<b>Financial Assets</b>	<b>269,327,960</b>	<b>133,889</b>	-	-	-	-	<b>269,327,960</b>	<b>133,889</b>
<b>Non Cash Loans and Commitments</b>	<b>156,303,022</b>	<b>278,244</b>	-	-	-	-	<b>156,303,022</b>	<b>278,244</b>
Stage 1	153,026,076	186,159	-	-	-	-	153,026,076	186,159
Stage 2	2,660,603	30,203	-	-	-	-	2,660,603	30,203
Stage 3	616,343	61,882	-	-	-	-	616,343	61,882
<b>Total</b>	<b>762,026,789</b>	<b>19,245,450</b>	<b>97,977,844</b>	<b>2,197,849</b>	<b>15,501,125</b>	<b>1,114,329</b>	<b>875,505,758</b>	<b>22,557,628</b>

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

**Information on expected loss provisions for loans:**

Current Period- December 31, 2020	Stage 1	Stage 2	Stage 3
Provision balance at the beginning	1,624,365	1,964,228	12,478,787
Additional provisions during the period	1,937,412	3,181,507	3,624,150
Disposals during the period (-)	453,094	552,124	768,947
Deleted from assets (-)	-	-	890,789
Transfers to stage 1	126,682	(126,122)	(560)
Transfers to stage 2	(48,999)	1,124,446	(1,075,447)
Transfers to stage 3	(7,126)	(343,580)	350,706
<b>Provision Balance at the end of the Period</b>	<b>3,179,240</b>	<b>5,248,355</b>	<b>13,717,900</b>

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

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

The general provision of Group's for credit risk amounts to TL 8,777,846 (December 31, 2019: TL 3,736,281)

<b>Risk Classifications:</b>	<b>Current Period Risk Amount<sup>(*)</sup></b>	<b>Average Risk Amount <sup>(*)</sup><sup>(**)</sup></b>
Claims on sovereigns and Central Banks	311,407,817	214,944,745
Claims on regional governments or local authorities	9,611,695	10,431,664
Claims on administrative bodies and other non-commercial undertakings	498,818	487,629
Claims on multilateral development banks	38,810	33,163
Claims on international organizations	-	-
Claims on banks and intermediary institutions	58,004,394	37,290,042
Claims on corporate	232,059,662	195,434,396
Claims included in the regulatory retail portfolios	98,677,464	88,441,951
Claims secured by residential property	83,489,456	73,013,673
Past due loans	3,914,529	4,426,375
Higher risk categories decided by the Agency	200,935	135,837
Marketable securities secured by mortgages	-	-
Securitization exposures	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	411	34
Stock Investments	2,222,895	1,881,990
Other claims	18,901,264	17,375,792

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

(\*\*) Average risk amount is calculated based on the arithmetic average of the monthly risk amounts after conversion for January-December 2020 period.

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

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

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

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II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to the geographical concentration (\*\*\*)

Current Period- December 31, 2020	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on corporates	Claims included in the regulatory retail portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and short term corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
Domestic	307,651,640	9,611,695	495,497	29,475	-	9,154,726	216,587,024	98,671,276	83,389,634	3,914,529	-	-	-	-	411	324,935	18,854,498	748,685,340
EU countries	3,297,483	-	3,321	9,335	-	43,921,502	4,402,687	5,481	-	-	1,288	-	-	-	-	-	46,766	51,687,863
OECD countries (*)	86,397	-	-	-	-	183,706	-	-	-	-	-	-	-	-	-	-	-	270,103
Off-shore banking regions	-	-	-	-	-	884,126	9,440,475	-	94,325	-	-	-	-	-	-	-	-	10,418,926
USA, Canada	288,607	-	-	-	-	2,510,592	1,426,908	376	5,497	-	-	-	-	-	-	-	-	4,231,980
Other countries	83,690	-	-	-	-	1,249,390	202,568	331	-	-	199,647	-	-	-	-	-	-	1,735,626
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	100,352	-	-	-	-	-	-	-	-	-	1,897,960	-	1,998,312
Undistributed Assets/ Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>311,407,817</b>	<b>9,611,695</b>	<b>498,818</b>	<b>38,810</b>	<b>-</b>	<b>58,004,394</b>	<b>232,059,662</b>	<b>98,677,464</b>	<b>83,489,456</b>	<b>3,914,529</b>	<b>200,935</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411</b>	<b>2,222,895</b>	<b>18,901,264</b>	<b>819,028,150</b>

(\*) OECD countries except from EU countries, USA, Canada.

(\*\*) The assets and liabilities that can not be distributed according to a consistent base.

(\*\*\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to the geographical concentration (\*\*\*)

Prior Period - December 31, 2019	Claims on sovereigns and Central Banks	Claims on regional governments or local authorities	Claims on administrative bodies and other non- commercial undertakings	Claims on multilateral development banks	Claims on international organizations	Claims on banks and intermediary institutions	Claims on banks and intermediary institutions	Claims included in the regulatory portfolios	Claims secured by residential property	Past due loans	Higher risk categories decided by the Board	Secured by mortgages	Securitization positions	Short-term claims and corporate claims on banks and intermediary institutions	Undertakings for collective investments in mutual funds	Stock Investments	Other receivables	Total
EU countries	1,456,331	10,786,106	3,475	11,759	-	12,991,051	158,541,471	71,249,090	61,226,035	5,234,621	5,732	-	-	-	-	285,475	15,482,207	470,198,861
OECD countries (*)	71,974	-	-	-	-	115,506	2,225,381	4,038	-	-	-	-	-	-	-	-	26,556	23,000,925
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	187,480
USA, Canada	3,213,268	-	-	-	-	-	7,848,407	8,030	63,263	-	-	-	-	-	-	-	-	7,919,700
Other countries	74,058	-	-	193	-	3,714,269	1,678,019	1,501	350	-	192,072	-	-	-	-	-	-	8,607,600
Investment and associates, subsidiaries and joint ventures	-	-	-	27,767	-	695,518	185,849	-	-	-	-	-	-	-	-	-	-	1,175,264
Undistributed Assets/ Liabilities(**)	-	-	-	-	-	53,829	-	-	-	-	-	-	-	-	-	1,495,384	-	1,549,213
<b>Total</b>	<b>138,752,133</b>	<b>10,786,106</b>	<b>469,778</b>	<b>39,719</b>	<b>-</b>	<b>36,837,826</b>	<b>170,479,127</b>	<b>71,262,659</b>	<b>61,289,648</b>	<b>5,234,621</b>	<b>197,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,780,859</b>	<b>15,508,763</b>	<b>512,639,043</b>

(\*) OECD countries except from EU countries, USA, Canada.

(\*\*) The assets and liabilities that can not be distributed according to a consistent base.

(\*\*\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

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II. CONSOLIDATED CREDIT RISK (Continued)

Risk profile according to sectors and counterparties (\*)

Current Period - December 31, 2020	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
<b>Agricultural</b>	491,965	3,565	2,368	-	-	308	86,1206	1,250,418	1,002,276	44,362	-	-	-	-	-	-	-	3,468,203	188,265	3,656,468
<i>Farming and raising livestock</i>	453,490	3,074	2,368	-	-	308	797,800	1,158,067	976,996	39,921	-	-	-	-	-	-	-	3,304,585	127,439	3,432,024
<i>Forestry</i>	6,355	491	-	-	-	-	8,458	69,258	16,478	480	-	-	-	-	-	-	-	90,875	10,645	101,520
<i>Fishing</i>	32,120	-	-	-	-	-	54,948	23,093	8,802	3,961	-	-	-	-	-	-	-	72,743	50,181	122,924
<b>Manufacturing</b>	15,233,218	368,360	708	-	-	31,457	99,573,886	8,556,658	13,585,312	930,554	-	-	-	-	-	-	-	77,213,596	61,066,557	138,280,153
<i>Mining</i>	348,433	-	-	-	-	-	8,677,975	251,601	405,695	40,037	-	-	-	-	-	-	-	3,437,934	6,285,807	9,723,741
<i>Production</i>	14,719,396	4,864	343	-	-	2,713	67,593,019	7,868,041	12,697,523	620,683	-	-	-	-	-	-	-	66,265,299	37,241,283	103,506,582
<i>Electric, Gas, Water</i>	165,389	363,496	365	-	-	28,744	23,302,892	437,016	482,094	269,834	-	-	-	-	-	-	-	7,510,363	17,539,467	25,049,830
<b>Construction</b>	11,690,100	1,965	187	-	-	516	27,047,927	3,561,813	8,748,958	1,203,809	-	-	-	-	-	-	-	30,302,595	21,952,680	52,255,275
<b>Services</b>	175,296,685	9,182,913	158,512	38,810	-	57,971,131	58,142,319	10,783,329	14,922,890	266,714	200,935	-	-	-	411	324,909	-	163,424,541	163,865,017	327,289,558
<i>Wholesale and retail trade</i>	11,003	1,685	499	-	-	-	510,310	34,146	5,301	63	-	-	-	-	-	-	-	100,978	462,029	563,007
<i>Hotel, Food and Beverage Services</i>	2,096,680	2,856	17	-	-	-	6,332,978	1,609,735	6,764,771	57,387	-	-	-	-	-	-	-	8,235,323	8,629,101	16,864,424
<i>Transportation and Telecommunication</i>	7,320,579	1,153	22,942	-	-	47,024	34,932,039	4,599,967	3,580,941	111,535	-	-	-	-	-	-	-	13,046,863	37,569,317	50,616,180
<i>Financial Institutions</i>	164,988,092	964	4,881	38,810	-	57,922,118	11,316,216	1,029,522	493,175	10,571	200,935	-	-	-	411	324,909	-	121,761,530	114,569,074	236,330,604
<i>Real Estate and renting services</i>	525,075	4	96,323	-	-	1,915	2,548,310	2,759,306	2,499,059	45,329	-	-	-	-	-	-	-	7,367,202	1,108,119	8,475,321
<i>Self-employment services</i>	-	-	-	-	-	-	103,537	15,127	-	-	-	-	-	-	-	-	-	93,359	25,305	118,664
<i>Education services</i>	346,983	1,206	64	-	-	-	1,097,950	257,970	813,192	23,925	-	-	-	-	-	-	-	2,477,516	63,774	2,541,290
<i>Health and social services</i>	8,273	9,175,045	33,786	-	-	74	1,300,979	477,556	766,451	17,904	-	-	-	-	-	-	-	10,341,770	1,438,298	11,780,068
<b>Other</b>	108,695,849	54,892	337,043	-	-	982	46,434,324	74,525,246	45,230,020	1,469,090	-	-	-	-	-	-	-	200,947,686	96,599,010	297,546,696
<b>Total</b>	311,407,817	9,611,695	498,818	38,810	-	58,004,394	232,059,662	98,677,464	83,489,456	3,914,529	200,935	-	-	-	411	2,222,895	18,901,264	475,356,621	343,671,529	819,028,150

(\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
- 11- Higher risk categories decided by the Board
- 12- Secured by mortgages
- 13- Securitization positions
- 14- Short-term claims and short term corporate claims on banks and intermediary institutions
- 15- Undertakings for collective investments in mutual funds
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- 17- Other receivables

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
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TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. CONSOLIDATED CREDIT RISK (Continued)

INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)		17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	Prior Period-December 31, 2019	Total
<b>Risk profile according to sectors and counterparties (*)</b>																				
Agricultural	228,752	147	1,846	-	-	-	-	-	94,677	688,130	1,064,158	629,161	-	-	-	-	-	-	94,677	2,490,087
Farming and raising livestock	220,050	147	1,846	-	-	-	-	-	93,646	672,831	978,646	600,526	-	-	-	-	-	-	93,646	2,392,349
Forestry	4,710	-	-	-	-	-	-	640	-	9,294	65,039	1,163	-	-	-	-	-	-	-	75,505
Fishing	3,992	-	-	-	-	-	-	391	-	6,005	20,473	27,472	-	-	-	-	-	-	-	22,233
Manufacturing	5,591,248	421,596	282	-	-	-	-	-	1,376,957	10,299,637	7,731,989	68,810,898	-	-	-	-	-	-	-	44,686,292
Mining	145,421	-	-	-	-	-	-	-	54,308	224,719	223,741	5,654,644	-	-	-	-	-	-	-	1,786,804
Production	5,364,192	-	12	-	-	-	-	849,611	54,308	9,687,593	7,025,394	45,180,649	-	-	-	-	-	-	-	36,714,689
Electric, Gas, Water	81,635	421,596	270	-	-	-	-	-	473,038	387,325	482,854	17,975,605	-	-	-	-	-	-	-	6,184,799
Construction	2,156,275	24	445	-	-	-	-	-	690,074	7,738,016	3,702,258	20,985,366	-	-	-	-	-	-	-	21,470,106
Services	89,864,551	10,361,963	166,175	39,719	-	-	-	197,804	1,134,504	10,789,581	8,986,751	45,402,775	34,234,855	-	-	-	-	-	-	115,468,070
Wholesale and retail trade	2,890	70	-	-	-	-	-	-	125	2,830	16,280	241,597	-	-	-	-	-	-	-	75,121
Hotel, Food and Beverage Services	480,614	13	87	-	-	-	-	-	790,699	4,794,261	1,399,832	3,761,620	-	-	-	-	-	-	-	4,262,866
Transportation and Telecommunication	711,851	695	14,954	-	-	-	-	-	179,079	2,492,644	4,180,573	22,250,776	-	-	-	-	-	-	-	9,328,987
Financial Institutions	87,836,596	-	3,510	39,719	-	-	-	197,804	22,633	310,717	699,714	15,267,747	34,234,855	-	-	-	-	-	-	83,159,143
Real Estate and renting services	184,910	-	115,270	-	-	-	-	85,243	85,243	2,007,634	2,130,992	2,356,360	-	-	-	-	-	-	-	5,461,535
Self-employment services	-	-	-	-	-	-	-	-	-	-	15,867	43,482	-	-	-	-	-	-	-	27,994
Education services	173,724	-	52	-	-	-	-	-	33,899	634,160	223,576	728,017	-	-	-	-	-	-	-	1,697,064
Health and social services	473,966	10,361,185	32,302	-	-	-	-	-	22,826	547,335	319,917	753,176	-	-	-	-	-	-	-	11,455,360
Other	40,911,307	2,376	301,030	-	-	-	-	-	1,938,409	31,774,284	49,777,503	34,650,927	2,602,971	-	-	-	-	-	-	59,173,574
<b>Total</b>	<b>138,752,133</b>	<b>10,786,106</b>	<b>469,778</b>	<b>39,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197,804</b>	<b>1,938,409</b>	<b>61,289,648</b>	<b>71,262,659</b>	<b>170,479,127</b>	<b>36,837,826</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,780,859</b>	<b>208,735,081</b>

(\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

- 1- Claims on sovereigns and Central Banks
- 2- Claims on regional governments or local authorities
- 3- Claims on administrative bodies and other non-commercial undertakings
- 4- Claims on multilateral development banks
- 5- Claims on international organizations
- 6- Claims on banks and intermediary institutions
- 7- Claims on corporates
- 8- Claims included in the regulatory retail portfolios
- 9- Claims secured by residential property
- 10- Past due loans
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**Distribution of maturity risk factors according to their outstanding maturities (\*)**

Risk Classifications-Current Period - December 31, 2020	According to their outstanding maturities					
	1 month	1-3 month	3-6 month	6-12 month	1 year and over	Undistributed
Claims on sovereigns and Central Banks	27,587,297	1,955,988	4,976,580	10,387,674	266,500,278	-
Claims on regional governments or local authorities	10,776	145,653	153,478	386,643	8,915,145	-
Claims on administrative bodies and other non-commercial undertakings	49,743	3,750	6,974	11,267	427,084	-
Claims on multilateral development banks	9,335	-	-	-	29,475	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	25,587,306	4,382,907	3,685,338	4,067,183	20,281,660	-
Claims on corporate	19,584,728	14,755,723	16,380,812	28,456,625	152,881,774	-
Claims included in the regulatory retail portfolios	1,368,695	1,320,746	1,842,946	7,233,664	86,911,413	-
Claims secured by residential property	702,242	1,826,025	1,970,450	7,857,813	71,132,926	-
Past due loans	-	-	-	-	-	3,914,529
Higher risk categories decided by the Agency	3,481	1,461	-	-	195,993	-
Marketable securities secured by mortgages	-	-	-	-	-	-
Securitization exposures	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	411	-
Stock Investments	3	-	-	-	2,222,892	-
Other claims	46,766	-	-	-	18,854,498	-
<b>TOTAL</b>	<b>74,950,372</b>	<b>24,392,253</b>	<b>29,016,578</b>	<b>58,400,869</b>	<b>628,353,549</b>	<b>3,914,529</b>

(\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

Risk Classifications-Prior Period- December 31, 2019	According to their outstanding maturities						Dağıtılma yan
	1 month	1-3 month	3-6 month	6-12 month	1 year and over		
Claims on sovereigns and Central Banks	6,154,735	1,209,763	2,761,506	3,792,488	124,833,641	-	
Claims on regional governments or local authorities	3,474	128,433	37,644	330,986	10,285,569	-	
Claims on administrative bodies and other non-commercial undertakings	3,038	6,198	37,413	120,176	302,953	-	
Claims on multilateral development banks	-	11,759	193	-	27,767	-	
Claims on international organizations	-	-	-	-	-	-	
Claims on banks and intermediary institutions	8,389,341	3,203,339	2,614,530	2,224,629	20,405,987	-	
Claims on corporate	14,185,162	10,290,207	10,353,311	23,487,753	112,162,694	-	
Claims included in the regulatory retail portfolios	997,705	1,235,863	2,062,150	7,876,805	59,090,136	-	
Claims secured by residential property	685,644	1,115,576	2,246,873	7,652,964	49,588,591	-	
Past due loans	-	-	-	-	-	5,234,621	
Higher risk categories decided by the Agency	17,727	19,499	6,282	2,281	152,015	-	
Marketable securities secured by mortgages	-	-	-	-	-	-	
Securitization exposures	-	-	-	-	-	-	
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	
Stock Investments	3	-	-	-	1,780,856	-	
Other claims	26,556	-	-	-	15,482,207	-	
<b>TOTAL</b>	<b>30,463,385</b>	<b>17,220,637</b>	<b>20,119,902</b>	<b>45,488,082</b>	<b>394,112,416</b>	<b>5,234,621</b>	

(\*) Risk amounts are given before credit risk mitigation, after multiplied by credit risk conversion ratio.

**Risk balances according to risk weights**

Risk Weights Current Period- December 31, 2020	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from the shareholders' equity
Pre-Amount of Credit Risk Mitigation	301,931,165	9,606,441	-	-	30,764,379	39,258,365	69,523,438	98,054,471	269,608,956	280,935	-	-	-	469,099
Amount after Credit Risk Mitigation	328,901,603	580,404	-	3,793,810	29,251,498	39,258,365	64,770,160	96,715,442	255,475,933	280,935	-	-	-	469,099
<b>Risk Weights Prior Period- December 31, 2019</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>1250%</b>	<b>Deductions from the shareholders' equity</b>
Pre-Amount of Credit Risk Mitigation	112,320,835	16,178,949	-	-	9,357,629	28,900,741	81,326,210	70,800,323	193,464,645	289,711	-	-	-	434,950
Amount after Credit Risk Mitigation	127,385,358	1,209,176	-	5,229,106	8,607,838	28,900,741	88,458,225	70,098,831	182,460,057	289,711	-	-	-	434,950

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

Credit rating of the credit rating agency, related to the Bank’s Capital Adequacy Assessment of the Measurement is listed in Appendix 1 which corresponds to the credit quality step that is given in the table below.

Ratings Matched	Credit Quality Rank	Fitch Ratings
Long Term Credit Ratings	1	Between AAA and AA-
	2	Between A+ and A-
	3	Between BBB+ and BBB-
	4	Between BB+ and BB-
	5	Between B+ and B-
	6	CCC+ and below
Short Term Credit Ratings	1	Between F1+ and F1
	2	F2
	3	F3
	4	F3 below
	5	-
	6	-

**Information According to Sectors and Counterparties**

Current Period - December 31, 2020	Impaired (IFRS 9)		Expected Credit Loss Provisions (IFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	
<b>Agricultural</b>	<b>379,481</b>	<b>193,059</b>	<b>169,112</b>
Farming and raising livestock	371,535	175,007	157,097
Forestry	4,101	3,179	2,900
Fishing	3,845	14,873	9,115
<b>Manufacturing</b>	<b>14,530,081</b>	<b>4,267,687</b>	<b>4,442,392</b>
Mining	845,168	281,800	288,601
Production	9,454,186	3,101,604	3,228,338
Electric, Gas, Water	4,230,727	884,283	925,453
<b>Construction</b>	<b>9,194,711</b>	<b>3,959,450</b>	<b>3,911,582</b>
<b>Services</b>	<b>17,755,192</b>	<b>6,651,515</b>	<b>8,030,072</b>
Wholesale and retail trade	6,847,116	4,235,827	4,032,076
Hotel, Food and Beverage Services	2,468,189	356,000	1,376,447
Transportation and telecommunication	3,446,899	569,195	781,759
Financial Institutions	558,471	72,310	87,791
Real estate and renting services	2,149,601	227,459	615,164
Self-employment services	1,661,510	967,355	886,837
Education services	313,841	110,013	134,030
Health and social services	309,565	113,356	115,968
<b>Other</b>	<b>930,585</b>	<b>2,858,460</b>	<b>2,413,097</b>
<b>Toplam</b>	<b>42,790,050</b>	<b>17,930,171</b>	<b>18,966,255</b>

Prior Period - December 31, 2019	Impaired (IFRS 9)		Expected Credit Loss Provisions (IFRS 9)
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	
<b>Agricultural</b>	<b>284,726</b>	<b>349,767</b>	<b>274,676</b>
Farming and raising livestock	273,274	336,327	261,237
Forestry	2,343	10,175	9,737
Fishing	9,109	3,265	3,702
<b>Manufacturing</b>	<b>8,994,661</b>	<b>4,496,624</b>	<b>3,515,468</b>
Mining	479,150	286,472	248,510
Production	5,188,551	3,245,978	2,608,531
Electric, Gas, Water	3,326,960	964,174	658,427
<b>Construction</b>	<b>9,673,247</b>	<b>2,258,182</b>	<b>2,072,987</b>
<b>Services</b>	<b>13,917,140</b>	<b>7,682,077</b>	<b>6,121,812</b>
Wholesale and retail trade	5,697,226	3,934,402	3,219,210
Hotel, Food and Beverage Services	632,588	1,691,403	942,945
Transportation and telecommunication	2,918,897	665,857	755,381
Financial Institutions	516,693	61,293	49,619
Real estate and renting services	1,883,696	217,174	288,954
Self-employment services	1,672,287	901,220	682,412
Education services	368,256	94,643	74,419
Health and social services	227,497	116,085	108,872
<b>Other</b>	<b>2,044,100</b>	<b>2,925,866</b>	<b>2,458,072</b>
<b>Total</b>	<b>34,913,874</b>	<b>17,712,516</b>	<b>14,443,015</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**Information on Changes in Value Adjustments and Credit Provisions**

<b>Current Period - December 31, 2020</b>	<b>Opening Balance 1 January 2020</b>	<b>Provisions reserved during the period</b>	<b>Cancelations</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
Specific provisions	12,543,110	4,518,777	(3,343,726)	61,621	13,779,782
General provisions	3,736,281	7,098,380	(2,034,767)	(22,048)	8,777,846

(\*) Includes effect of currency translations differences and other provisions' classifications.

<b>Prior Period- December 31, 2019</b>	<b>Opening Balance 1 January 2019</b>	<b>Provisions reserved during the period</b>	<b>Cancelations</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
Specific provisions	8,298,299	5,269,614	(1,005,000)	(19,803)	12,543,110
General provisions	3,126,095	3,074,180	(2,296,167)	(167,827)	3,736,281

(\*) Includes effect of currency translations differences and other provisions' classifications

**Fair value of collateral held against impaired loans**

	<b>Current Period December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Cash collateral <sup>(*)</sup>	-	-
Mortgage	8,593,313	7,441,090
Promissory note <sup>(*)</sup>	-	-
Others <sup>(**)</sup>	9,336,858	10,271,426
<b>Total</b>	<b>17,930,171</b>	<b>17,712,516</b>

(\*) As a policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

(\*\*) Sureties obtained for impaired loans are presented in this raw to the extent that the amount does not exceed the amount of impaired loans.

**The detail of collateral held against performing cash and non-cash loans by the Group**

<b>Cash loans</b>	<b>Current Period- December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Secured Loans:</b>	<b>327,829,827</b>	<b>214,685,773</b>
Secured by mortgages	79,279,009	57,759,069
Secured by cash collateral	2,432,473	1,701,967
Guarantees issued by financial institutions	1,066,489	888,161
Secured by government institutions or government securities	63,686,242	24,744,773
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	181,365,614	129,591,803
<b>Unsecured Loans</b>	<b>104,114,778</b>	<b>67,531,312</b>
<b>Total performing loans</b>	<b>431,944,605</b>	<b>282,217,085</b>

<b>Non-cash loans</b>	<b>Current Period- December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Secured Loans:</b>	<b>59,292,422</b>	<b>44,610,715</b>
Secured by mortgages	7,639,220	5,576,009
Secured by cash collateral	1,042,003	639,016
Guarantees issued by financial institutions	526,364	363,401
Secured by government institutions or government securities	306,285	396,293
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	49,778,550	37,635,996
<b>Unsecured Loans</b>	<b>43,183,780</b>	<b>33,669,602</b>
<b>Total performing loans</b>	<b>102,476,202</b>	<b>78,280,317</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**Exposures subject to countercyclical capital buffer**

**Current Period – December 31, 2020**

<b>Country</b>	<b>RWA Calculations for Private Sector Loans in Banking Book</b>	<b>RWA calculations for Trading Book</b>	<b>Total</b>
Turkey	352,053,664	-	352,053,664
Bahrain	9,883,516	-	9,883,516
Germany	4,921,671	-	4,921,671
France	4,001,216	-	4,001,216
England	3,810,890	-	3,810,890
USA	2,068,301	-	2,068,301
Switzerland	1,139,574	-	1,139,574
Austria	840,349	-	840,349
Netherlands	591,081	-	591,081
Iraq	455,701	-	455,701
Other	1,214,680	-	1,214,680
<b>Total</b>	<b>380,980,643</b>	<b>-</b>	<b>380,980,643</b>

**Prior Period - December 31, 2019**

<b>Country</b>	<b>RWA Calculations for Private Sector Loans in Banking Book</b>	<b>RWA calculations for Trading Book</b>	<b>Total</b>
Turkey	256,546,323	-	256,546,323
Bahrain	7,775,599	-	7,775,599
France	2,552,378	-	2,552,378
USA	2,502,813	-	2,502,813
England	2,235,770	-	2,235,770
Switzerland	1,095,437	-	1,095,437
Germany	953,355	-	953,355
Netherlands	670,850	-	670,850
Austria	631,625	-	631,625
Iraq	376,547	-	376,547
Other	2,231,667	-	2,231,667
<b>Total</b>	<b>277,572,364</b>	<b>-</b>	<b>277,572,364</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK**

**Foreign exchange risk that the Parent Bank is exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Parent Bank for the positions monitored on a daily basis**

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of The Parent Bank.

The Parent Bank’s and all consolidated financial subsidiaries’ foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the consolidated currency risk. The net long and short positions are calculated in Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

**The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives**

As at December 31, 2020 and December 31, 2019, the Group does not have derivative financial instruments held for hedging purpose.

**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 sectionII.

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
<b>The Bank’s foreign currency purchase rate at the balance sheet date</b>	<b>7.4500</b>	<b>9.14777</b>
<u>Foreign currency purchase rates for the days before balance sheet date:</u>		
Day 1	7.3719	9.0487
Day 2	7.3502	9.0100
Day 3	7.4460	9.1002
Day 4	7.5443	9.1838
Day 5	7.5729	9.2257
	US Dollar	Euro
<b>Last 30-days arithmetical average rate</b>	<b>7.7334</b>	<b>9.3645</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Information on currency risk**

<b>Current Period- December 31, 2020</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
<i>Assets:</i>				
Cash and balances with the Central Bank of the Republic of Turkey	40,750,401	28,991,780	8,802,571	78,544,752
Banks	887,218	1,584,363	561,602	3,033,183
Financial assets at fair value through profit or loss	-	161,038	7,000,000	7,161,038
Interbank money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	13,155,249	39,746,547	-	52,901,796
Loans <sup>(1)(2)</sup>	70,495,780	58,363,301	214,357	129,073,438
Associates, subsidiaries and joint-ventures	3	-	-	3
Financial assets measured at amortized cost	7,238,241	7,290,406	-	14,528,647
Derivative financial assets held for risk management purpose	-	-	-	-
Tangible assets	1,146	13,120	-	14,266
Intangible assets	348	-	-	348
Other assets <sup>(3)</sup>	5,113,291	6,809,326	155,039	12,077,656
<b>Total assets</b>	<b>137,641,677</b>	<b>142,959,881</b>	<b>16,733,569</b>	<b>297,335,127</b>
<i>Liabilities:</i>				
Bank deposits	7,630,195	6,395,505	184,045	14,209,745
Foreign currency deposits	66,471,355	102,509,016	20,090,259	189,070,630
Interbank money market takings	13,714,059	7,839,458	-	21,553,517
Other funding	23,806,452	25,268,094	164,153	49,238,699
Securities issued <sup>(4)</sup>	11,270,337	34,618,642	2,060,725	47,949,704
Miscellaneous payables	1,561,448	851,964	1,300	2,414,712
Derivative financial liabilities held for risk management purpose	-	-	-	-
Other liabilities <sup>(3)</sup>	654,786	2,644,912	4,649	3,304,347
<b>Total liabilities</b>	<b>125,108,632</b>	<b>180,127,591</b>	<b>22,505,131</b>	<b>327,741,354</b>
<b>Net ‘on balance sheet’ position</b>	<b>12,533,045</b>	<b>(37,167,710)</b>	<b>(5,771,562)</b>	<b>(30,406,227)</b>
<b>Net ‘off-balance sheet’ position</b>	<b>(10,700,743)</b>	<b>37,289,924</b>	<b>5,788,929</b>	<b>32,378,110</b>
Derivative assets <sup>(5)</sup>	10,739,105	42,735,050	6,909,282	60,383,437
Derivative liabilities <sup>(5)</sup>	21,439,848	5,445,126	1,120,353	28,005,327
Non-cash loans <sup>(6)</sup>	26,268,248	31,104,665	1,174,345	58,547,258
<b>Prior Period - December 31, 2019</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Other FC</b>	<b>Total</b>
Total assets	81,179,147	81,204,896	4,773,065	167,157,108
Total liabilities	78,138,900	110,524,081	6,692,965	195,355,946
Net ‘on balance sheet’ position	3,040,247	(29,319,185)	(1,919,900)	(28,198,838)
Net ‘off-balance sheet’ position	(1,473,866)	23,197,295	1,937,708	23,661,137
Derivative assets <sup>(5)</sup>	8,297,016	32,111,731	2,728,069	43,136,816
Derivative liabilities <sup>(5)</sup>	9,770,882	8,914,436	790,361	19,475,679
Non-cash loans <sup>(6)</sup>	18,482,281	21,259,341	468,769	40,210,391

<sup>(1)</sup> Foreign currency indexed loans amounting to TL 538,028 (December 31, 2019: TL 1,041,327) which are presented in TL column in the balance sheet are included in the table above.

<sup>(2)</sup> Foreign currency indexed factoring receivables amounted to TL 284,716 (December 31, 2019: TL 244,250) presented in TL column in the accompanying consolidated balance sheet are included.

<sup>(3)</sup> Derivative Financial Instruments Currency Income Rediscunts on Other Assets TL 53,691 (December 31, 2019: TL 128,610), Prepaid Expenses TL 179,634 (December 31, 2019: TL 129,290), 1st and 2nd stage expected loss provisions TL (24,493) (December 31, 2019: TL (48,726)), and derivative financial instruments currency expense accruals of TL 28,593 (December 31, 2019: TL 63,526), deferred tax liabilities TL 57,525 (December 31, 2019: TL 30,758), Expected Credit Loss on Non-Cash Loans amounting to TL 5,542 (31 December 2019: TL 5,873), unearned income TL 218,352 (December 31, 2019: TL 211,672) and shareholders' equity TL 1,743,740 (December 31, 2019: TL 978,782) are not taken into consideration in the currency risk calculation.

<sup>(4)</sup> Subordinated loans are shown under securities issued.

<sup>(5)</sup> Asset purchase commitments amounting to TL 468,092 (December 31, 2019: TL 2,203,998) and asset sales commitments amounting to TL 5,679,004 (December 31, 2019: TL 3,357,796) are included.

<sup>(6)</sup> Non-cash loans are not taken into consideration in the currency position account.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**III. CONSOLIDATED FOREIGN CURRENCY EXCHANGE RISK (Continued)**

**Exposure to currency risk**

10% depreciation of the TL against the following currencies as at and for the year ended December 31, 2020 and December 31, 2019 would have effect on consolidated equity and the consolidated statement of income (without tax effects) by the amounts shown in the table below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	Current Period- December 31, 2020		Prior Period- December 31, 2019	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	10,909	10,909	(608,153)	(608,153)
Euro	183,081	330,621	162,340	237,569
Other currencies	1,737	1,737	1,781	1,781
<b>Total, net <sup>(**)</sup></b>	<b>195,727</b>	<b>343,267</b>	<b>(444,032)</b>	<b>(368,803)</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

<sup>(\*\*)</sup> Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

10% appreciation of the TL against the following currencies as at and for the year ended December 31, 2020 and December 31, 2019 would have effect on consolidated equity and consolidated statement of income (without tax effects) by the amounts shown in the table below.

	Current Period- December 31, 2020		Prior Period- December 31, 2019	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	(10,909)	(10,909)	608,153	608,153
Euro	(183,081)	(330,621)	(162,340)	(237,569)
Other currencies	(1,737)	(1,737)	(1,781)	(1,781)
<b>Total, net <sup>(**)</sup></b>	<b>(195,727)</b>	<b>(343,267)</b>	<b>444,032</b>	<b>368,803</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% revaluation of TL against related currencies.

<sup>(\*\*)</sup> Associates, subsidiaries and jointly controlled partnerships are included in the impact calculation for the income statement, but are not included in the impact calculation for the equity. Tangible and intangible assets are not included in the calculation of equity and income statement.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. CONSOLIDATED INTEREST RATE RISK**

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

The Parent Bank’s interest rate risk is measured by the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

**Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing dates)**

<b>Current Period- December 31, 2020</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<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
Financial assets at fair value through other comprehensive income	7,787,829	5,715,566	20,595,310	41,174,425	8,636,636	18,159	83,927,925
Loans (*)	144,392,490	74,156,428	92,857,180	72,375,326	48,163,181	17,930,171	449,874,776
Financial assets measured at amortized cost	21,435,614	3,920,978	11,726,453	16,327,735	5,336,472	-	58,747,252
Other assets (**)	1,119,830	3,162,424	3,377,619	199,622	1,935,742	5,781,035	15,576,272
<b>Total assets</b>	<b>187,125,799</b>	<b>90,813,560</b>	<b>130,486,693</b>	<b>132,268,031</b>	<b>64,072,031</b>	<b>107,324,403</b>	<b>712,090,517</b>
<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 (***)	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 (****)	1,155,079	2,250,577	3,199,591	119,308	1,883,337	53,676,985	62,284,877
<b>Total liabilities</b>	<b>334,580,380</b>	<b>116,157,640</b>	<b>49,867,945</b>	<b>50,484,378</b>	<b>11,449,945</b>	<b>149,550,229</b>	<b>712,090,517</b>
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)
<b>Net position</b>	<b>(144,340,081)</b>	<b>(17,228,864)</b>	<b>78,275,931</b>	<b>80,968,503</b>	<b>50,808,622</b>	<b>(42,225,826)</b>	<b>6,258,285</b>

(\*) Non-performing loans are shown in the “Non-Interest Bearing” column.

(\*\*) Subsidiaries, associates and tangible and intangible assets, deferred tax and expected credit losses are included in “non-interest bearing” column.

(\*\*\*) Subordinated debts are shown under securities issued.

(\*\*\*\*) Equity is included in “Non-Interest Bearing” column in other liabilities line.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. CONSOLIDATED INTEREST RATE RISK (Continued)**

Prior Period- December 31, 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<i>Assets:</i>							
Cash and balances with CBRT	339,913	-	-	-	-	36,164,679	36,504,592
Banks	3,303,790	603,035	329,183	-	-	1,982,490	6,218,498
Financial assets at fair value through profit/loss	199	-	2,019,711	-	-	288,022	2,307,932
Interbank money market placements	14,535	-	-	-	-	-	14,535
Available-for-sale financial assets	2,262,635	1,985,624	7,692,370	8,212,306	5,629,310	18,054	25,800,299
Loans (*)	78,288,213	38,401,850	85,452,931	52,678,243	27,290,137	17,818,227	299,929,601
Held-to-maturity investments	9,120,723	4,987,724	12,906,825	13,666,366	6,332,995	-	47,014,633
Other assets (**)	629,914	721,430	266,623	2,253,453	746,922	10,632,697	15,251,039
<b>Total assets</b>	<b>93,959,922</b>	<b>46,699,663</b>	<b>108,667,643</b>	<b>76,810,368</b>	<b>39,999,364</b>	<b>66,904,169</b>	<b>433,041,129</b>
<i>Liabilities:</i>							
Bank deposits	6,416,799	3,135,429	311,986	-	-	651,040	10,515,254
Other deposits	139,688,798	35,484,320	16,962,445	1,484,184	41,826	49,953,921	243,615,494
Interbank money market takings	21,550,539	2,749,500	383,796	740,233	-	-	25,424,068
Miscellaneous payables	-	-	-	-	-	8,531,664	8,531,664
Securities issued (***)	2,355,658	4,353,007	2,989,974	31,860,385	6,934,485	-	48,493,509
Funds borrowed	2,255,577	28,558,228	8,462,570	3,407,580	1,360,533	1,019,196	45,063,684
Other liabilities (****)	569,198	764,191	81,040	2,033,618	1,066,200	46,883,209	51,397,456
<b>Total liabilities</b>	<b>172,836,569</b>	<b>75,044,675</b>	<b>29,191,811</b>	<b>39,526,000</b>	<b>9,403,044</b>	<b>107,039,030</b>	<b>433,041,129</b>
On balance sheet long position	-	-	79,475,832	37,284,368	30,596,320	-	147,356,520
On balance sheet short position	(78,876,647)	(28,345,012)	-	-	-	(40,134,861)	(147,356,520)
Off-balance sheet long position	2,535,875	4,804,841	-	-	-	-	7,340,716
Off-balance sheet short position	-	-	(207,784)	(341,823)	(1,938,734)	-	(2,488,341)
<b>Net position</b>	<b>(76,340,772)</b>	<b>(23,540,171)</b>	<b>79,268,048</b>	<b>36,942,545</b>	<b>28,657,586</b>	<b>(40,134,861)</b>	<b>4,852,375</b>

(\*) Non-performing loans are shown in the “Non-Interest Bearing” column.

(\*\*) Subsidiaries, associates and tangible and intangible assets, deferred tax and expected credit losses are included in “non-interest bearing” column.

(\*\*\*) Subordinated debts are shown under securities issued.

(\*\*\*\*) Equity is included in “Non-Interest Bearing” column in other liabilities line.

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**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. CONSOLIDATED INTEREST RATE RISK (Continued)**

**Average interest rates applied to monetary financial instruments <sup>(\*)</sup>:**

Current 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 <sup>(**)</sup>	4.04	6.07	-	14.38
Funds borrowed	1.99	2.61	-	14.50
<b>Prior Period - December 31, 2019</b>				
	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<i>Assets:</i>				
Cash and balance with CBRT	-	-	-	10.00
Banks	0.01	1.67	-	11.00
Financial assets at fair value through profit/loss	-	-	-	0.83
Interbank money market placements	-	-	-	11.57
Financial assets at fair value through other comprehensive income	3.29	6.90	-	15.79
Loans	5.46	7.57	-	16.41
Financial assets measured at amortized cost	4.62	6.73	-	12.82
<i>Liabilities:</i>				
Bank deposits	0.50	2.65	-	11.09
Other deposits	0.51	2.16	-	10.41
Interbank money market takings	0.85	2.86	-	11.21
Miscellaneous payables	-	-	-	-
Securities issued <sup>(**)</sup>	4.04	6.13	-	12.59
Funds borrowed	2.00	4.16	-	8.01

<sup>(\*)</sup> The rates above are calculated over financial instruments with interest rates.

<sup>(\*\*)</sup> Subordinated debts are shown under securities issued.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**V. CONSOLIDATED STOCK POSITION RISK**

**Stock position risks arising from banking book items**

**Information on separations of risks according to objectives including their relation with gains presented in equity and strategically reasons, accounting techniques and general information about valuation methods with the related assumptions and factors that affect the valuation and significant changes**

The accounting applications regarding to share investment that qualifications in associate and subsidiary of are disclosed in Section 3 Note III and Note VII.

If carrying value is substantially different from fair value and for publicly traded shares if market value is substantially different from fair value, the comparison with the market prices are shown in the table below:

Current Period- December 31, 2020	Comparison		
	Carrying Value	Fair Value <sup>(*)</sup>	Market Value <sup>(*)</sup>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>514,731</b>	<b>514,731</b>	<b>514,731</b>
1.Stocks Investments Group A	514,550	514,550	514,550
2.Stock Investments Group B	181	181	181
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>1,718,903</b>	<b>1,572,182</b>	

<sup>(\*)</sup> The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

<sup>(\*\*)</sup> The values of stocks unquoted in exchange are determined according to December 31, 2020 valuation reports prepared by independent valuation companies.

Prior Period - December 31, 2019	Comparison		
	Carrying Value	Fair Value <sup>(*)</sup>	Market Value <sup>(*)</sup>
<b>Stock Investments</b>			
<b>Stocks quoted in exchange<sup>(*)</sup></b>	<b>437,619</b>	<b>437,619</b>	<b>437,619</b>
1.Stocks Investments Group A	436,003	436,003	436,003
2.Stock Investments Group B	1,616	1,616	1,616
3.Stock Investments Group C	-	-	-
<b>Stocks unquoted in exchange<sup>(**)</sup></b>	<b>1,347,016</b>	<b>1,283,227</b>	

<sup>(\*)</sup> The values of stocks traded in Stock Exchange are included to both columns assuming the market value is approximate to fair value.

<sup>(\*\*)</sup> The values of stocks unquoted in exchange are determined according to valuation reports prepared by independent valuation companies.

**Total unearned gain or loss, total revaluation surplus and values included to principal and supplementary capital**

Total unrealized gain or loss, total appraisal surplus and values included to principal and supplementary capital are given in the below table:

Portfolio-Current Period - December 31, 2020	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	1,086,781	1,086,781	-	-
<b>4. Total</b>	-	<b>1,086,781</b>	<b>1,086,781</b>	-	-

<sup>(\*)</sup> Amounts are presented including the effect of deferred tax.

Portfolio-Prior Period - December 31, 2019	Realized Gain/Loss in Current Period	Revaluation Surplus		Unrealized Gain and Loss	
		Total <sup>(*)</sup>	Included in Supplementary Capital	Total <sup>(*)</sup>	Included in Supplementary Capital
1. Private Capital Investments	-	-	-	-	-
2. Publicly Traded Stocks	-	-	-	-	-
3. Other Stocks	-	763,262	763,262	-	-
<b>4. Total</b>	-	<b>763,262</b>	<b>763,262</b>	-	-

<sup>(\*)</sup> Amounts are presented including the effect of deferred tax.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**V. CONSOLIDATED STOCK POSITION RISK (Continued)**

**Explanations on Equity Shares Risk Arising from Banking Book**

<b>Portfolio-Current Period - December 31, 2020</b>	<b>Carrying Value</b>	<b>Total RWA</b>	<b>Minimum Capital Requirement</b>
1.Private Equity Investments	-	-	-
2.Quoted	514,731	513,604	41,088
3.Other Stocks	1,718,903	1,709,291	136,743
<b>4. Total</b>	<b>2,233,634</b>	<b>2,222,895</b>	<b>177,831</b>

<b>Portfolio-Prior Period- December 31, 2019</b>	<b>Carrying Value</b>	<b>Total RWA</b>	<b>Minimum Capital Requirement</b>
1.Private Equity Investments	-	-	-
2.Quoted	437,619	437,619	35,010
3.Other Stocks	1,347,016	1,347,016	107,761
<b>4. Total</b>	<b>1,784,635</b>	<b>1,784,635</b>	<b>142,771</b>

**VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

Liquidity risk is defined as the risk of not fulfilling payment liabilities on time as a result of not having adequate cash or cash inflow to meet the cash outflow properly due to imbalance in cash flows of the Parent Bank. The framework of liquidity risk of the Group is specified with Liquidity Risk Management Document. In the framework of liquidity risk management, policies regarding liquidity risk management are written down by Risk Management Department and fundamental principles, analyses regarding measurement and monitoring risk, basic rudiments on early warning indicators, liquidity buffer and limits are included.

The Group is managing liquidity risk according to risk capacity and the Group’s risk appetite in the range envisioned by the regulations. Liquidity risk management approach is in general based on the principle of monitoring in-day liquidity risk. The Group monitors the net liquidity position and liquidity requirements continuously and facing the future. The Group takes precautions to increase diversity in fund sources to increase effectiveness and durability in liquidity risk management. On market basis and specific to the Group (in consideration of market and funding liquidity) scenario and susceptibility analyses are performed and assumptions based on these analyses are reviewed regularly. It is aimed to protect the optimum liquidity level that can meet short – term liquidity needs not to remain inactive and maintain profitability – risk balance.

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.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

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 analyzes. It is observed that the impact of the Covid-19 outbreak on the Parent Bank's liquidity adequacy is limited.

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 Parent 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. Pursuant to the BRSA's regulation numbered 3520 dated March 26, 2020, it has been decided that deposit and participation banks will be exempted from Article 32 of the LCR regulation until December 31, 2020.

Liquidity Coverage Ratio Current Period- December 31, 2020	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**

Current Period- December 31, 2020		Total unweighted value *		Total weighted value*	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)			124,139,266	86,488,287
<b>CASH OUTFLOWS</b>					
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	<b>TOTAL CASH OUTFLOWS</b>			<b>136,597,735</b>	<b>57,865,021</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>47,706,534</b>	<b>28,179,520</b>	<b>36,634,965</b>	<b>25,565,514</b>
<b>Upper Limit Applied Values</b>					
21	<b>TOTAL HQLA</b>			<b>124,139,266</b>	<b>86,488,287</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>99,962,770</b>	<b>32,299,507</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>124.27</b>	<b>278.08</b>

(\*) Simple arithmetic average, calculated for the last three months, of the values calculated by taking monthly simple arithmetic average.

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**VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

Liquidity Coverage Ratio Prior Period- December 31, 2019	TL+FC		FC	
	DATE	RATIO (%)	DATE	RATIO (%)
The lowest value	November 2019	127.69	October 2019	479.15
The highest value	October 2019	133.38	December 2019	516.03

*Liquidity Coverage Ratio*

Prior Period- December 31, 2019	Total unweighted value *		Total weighted value*		
	TL+FC	FC	TL+FC	FC	
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	Total High Quality Liquid Assets (HQLA)		70,761,044	42,276,476	
<b>CASH OUTFLOWS</b>					
2	Retail deposits and deposits from small business customers, of which:	120,133,133	55,056,240	10,368,304	5,505,624
3	Stable deposits	32,900,169	-	1,645,008	-
4	Less stable deposits	87,232,964	55,056,240	8,723,296	5,505,624
5	Unsecured wholesale funding, of which:	111,643,307	41,770,686	51,055,424	19,294,434
6	Operational deposits	62,001,636	20,843,126	15,500,409	5,210,781
7	Non-operational deposits	35,381,148	15,468,907	21,381,252	8,706,534
8	Unsecured debt	14,260,523	5,458,653	14,173,763	5,377,119
9	Secured wholesale funding			-	-
10	Additional requirements of which:	27,337,778	5,872,004	27,337,777	5,872,005
11	Outflows related to derivative exposures and other collateral requirements	27,337,778	5,872,004	27,337,777	5,872,005
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	-	-	-	-
14	Other contractual funding obligations	29,597,948	27,734,170	1,479,897	1,386,709
15	Other contingent funding obligations	85,350,244	19,573,523	7,969,226	1,797,957
16	<b>TOTAL CASH OUTFLOWS</b>			<b>98,210,628</b>	<b>33,856,729</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Inflows from fully performing exposures	23,373,741	9,993,255	16,974,158	8,338,194
19	Other cash inflows	26,660,187	26,498,613	26,660,187	26,498,613
20	<b>TOTAL CASH INFLOWS</b>	<b>50,033,928</b>	<b>36,491,868</b>	<b>43,634,345</b>	<b>34,836,807</b>
<b>Upper Limit Applied Values</b>					
21	<b>TOTAL HQLA</b>			<b>70,761,044</b>	<b>42,276,476</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>54,576,283</b>	<b>8,464,182</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>129.87</b>	<b>502.33</b>

(\*) Simple arithmetic average, calculated for the last three months, of the values calculated by taking monthly simple arithmetic average.

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**VI. CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)**

With the “Liquidity Coverage Rate” which is prepared under the framework of “Regulations Regarding Banks’ Calculations of Liquidity Coverage Rate” published by BRSA, the balance between banks’ net cash outflows and high quality liquid asset stock.

The Group’s high quality liquid asset stock consists of cash and debt instruments issued by CBRT and Republic of Turkey Undersecretariat of Treasury.

Whereas the Group’s important fund sources are deposits, funds obtained from other financial institutions, securities issued and funds obtained from repo transactions.

Derivatives transactions with 30 or less days to maturity are included into liquidity coverage calculation with cash outflows created by the transactions as of the calculated liquidity coverage rate. In case of a liability resulting from derivatives transactions and security fulfillment liability resulting from other liabilities, actions are taken accordingly to the related regulation.

**Maturity analysis of assets and liabilities according to remaining maturities:**

Current Period – December 31, 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Undistributed (*)	Total
<b>Assets:</b>								
Cash and balance with CBRT	93,207,242	-	-	-	-	-	-	93,207,242
Banks	2,169,348	58,004	864,828	-	-	-	-	3,092,180
Financial assets at fair value through profit/loss	13,663	3,038	2,990,006	1,930,131	2,190,923	-	330,520	7,458,281
Interbank money market placements	-	203,259	3,330	-	-	-	-	206,589
Financial assets at fair value through other comprehensive	-	620,803	697,542	13,232,077	53,319,515	16,039,829	18,159	83,927,925
Loans	-	38,021,874	16,710,619	52,360,784	217,634,418	107,216,910	17,930,171	449,874,776
Financial assets measured at amortized cost	-	830,945	1,074,881	1,795,884	31,993,405	23,052,137	-	58,747,252
Other assets (**)	412,546	3,254,275	1,810,299	4,267,423	1,039,950	3,278,231	1,513,548	15,576,272
<b>Total assets</b>	<b>95,802,799</b>	<b>42,992,198</b>	<b>24,151,505</b>	<b>73,586,299</b>	<b>306,178,211</b>	<b>149,587,107</b>	<b>19,792,398</b>	<b>712,090,517</b>
<b>Liabilities:</b>								
Bank deposits	1,636,729	16,980,113	4,416,355	-	-	-	-	23,033,197
Other deposits	80,000,913	226,227,177	70,137,189	16,596,835	1,468,070	58,501	-	394,488,685
Funds borrowed	-	1,719,144	4,277,658	23,308,613	13,276,843	9,106,737	-	51,688,995
Interbank money market takings	-	84,629,165	884,084	6,033,879	9,352,737	412,340	-	101,312,205
Securities issued (***)	-	2,137,454	4,224,438	10,134,605	33,847,752	15,269,072	-	65,613,321
Miscellaneous payables	8,171	8,127,157	204,322	-	896,602	-	4,432,985	13,669,237
Other liabilities	127,237	1,173,847	2,285,531	3,165,186	179,423	1,828,573	53,525,080	62,284,877
<b>Total liabilities</b>	<b>81,773,050</b>	<b>340,994,057</b>	<b>86,429,577</b>	<b>59,239,118</b>	<b>59,021,427</b>	<b>26,675,223</b>	<b>57,958,065</b>	<b>712,090,517</b>
<b>Liquidity gap</b>	<b>14,029,749</b>	<b>(298,001,859)</b>	<b>(62,278,072)</b>	<b>14,347,181</b>	<b>247,156,784</b>	<b>122,911,884</b>	<b>(38,165,667)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>808</b>	<b>(659,733)</b>	<b>305,798</b>	<b>821,162</b>	<b>1,407,502</b>	<b>1,798,650</b>	<b>-</b>	<b>3,674,187</b>
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
<b>Non-cash Loans</b>	<b>47,324,566</b>	<b>4,613,173</b>	<b>8,968,987</b>	<b>20,835,395</b>	<b>18,312,108</b>	<b>2,183,360</b>	<b>238,613</b>	<b>102,476,202</b>
<b>Prior Period – December 31, 2019</b>								
Total assets	38,853,147	30,919,666	12,234,824	51,282,369	171,017,596	103,182,355	25,551,172	433,041,129
Total liabilities	51,461,245	178,196,721	51,706,390	36,620,832	42,802,188	23,735,323	48,518,430	433,041,129
<b>Liquidity gap</b>	<b>(12,608,098)</b>	<b>(147,277,055)</b>	<b>(39,471,566)</b>	<b>14,661,537</b>	<b>128,215,408</b>	<b>79,447,032</b>	<b>(22,967,258)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>27,305</b>	<b>(191,471)</b>	<b>151,653</b>	<b>2,228,450</b>	<b>1,454,064</b>	<b>-</b>	<b>3,670,001</b>
Receivables from Derivative Financial Instruments	-	16,853,653	7,934,791	6,988,990	24,983,777	33,008,190	-	89,769,401
Payables from Derivative Financial Instruments	-	16,826,348	8,126,262	6,837,337	22,755,327	31,554,126	-	86,099,400
<b>Non-cash Loans</b>	<b>41,170,276</b>	<b>2,903,572</b>	<b>6,295,723</b>	<b>15,338,280</b>	<b>10,264,800</b>	<b>1,960,156</b>	<b>347,510</b>	<b>78,280,317</b>

(\*) 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.

(\*\*) Subsidiaries, associates and tangible and intangible assets, expected losses and deferred tax asset are stated in undistributed column.

(\*\*\*) Subordinated debts are shown under securities issued.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VII. CONSOLIDATED LEVERAGE RATIO**

**Information on Issues that Cause Differences between Current Period and Previous Period Leverage Ratios**

The Group’s consolidated leverage rate which is calculated due to “Regulation on Banks’ Measurement and Evaluation of Leverage Level” actualised as 6.82%. Increase in balance sheet assets and off-balance sheet transactions resulted in change on leverage rate compared to previous period (December 31, 2019: 7.91%). The Regulation adjudicated minimum leverage rate as 3%.

**Summary comparison table of the total risk amount and the total asset amount in the consolidated financial statements prepared as per TAS**

	Current Period- December 31, 2020	Prior Period- December 31, 2019
Total asset amount in the consolidated financial statements prepared as per TAS <sup>(1)</sup>	551,130,944	433,241,076
The difference between the total asset amount in the consolidated financial statements prepared as per TAS and the asset amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks <sup>(1)</sup>	247,962	199,947
The difference between the derivative financial instruments and the loan derivatives amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	(9,203,189)	(5,621,334)
The difference between the financial transactions with securities or goods warranty amounts in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	33,313,188	23,962,005
The difference between the off-balance sheet transactions amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	65,374,313	55,359,211
Other differences between the amount in the consolidated financial statements prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the risk amounts <sup>(2)</sup>	(213,282,815)	(180,157,520)
<b>Total risk amount</b>	<b>664,828,120</b>	<b>530,082,012</b>

<sup>(1)</sup> The balances at the end of June 30, 2020 and December 31, 2019 prepared in accordance with Article 5, paragraph 6, of the Communiqué on the Preparation of the Consolidated Financial Statements of the Banks are included.

<sup>(2)</sup> The balances in the table represent the average of three months.

**Leverage ratio common disclosure template**

	Current Period - December 31, 2020 <sup>(*)</sup>	Prior Period- December 31, 2019 <sup>(*)</sup>
<b>On-balance sheet exposures</b>		
1. On-balance sheet items (excluding derivatives and SFTs; including collateral)	689,857,937	422,674,445
2. Assets deducted in determining Basel III Tier 1 capital	(456,602)	(471,945)
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	689,401,335	422,202,500
<b>Derivative exposures</b>		
4. Replacement cost	10,505,184	4,111,062
5. Add-on amount	1,487,545	1,510,272
6. Total derivative exposures	11,992,729	5,621,334
<b>Securities financing transaction exposures</b>		
7. Gross SFT assets (with no recognition of accounting netting)	7,922,416	3,092,305
8. Agent transaction exposures	-	-
9. Total securities financing transaction exposures	7,922,416	3,092,305
<b>Other off-balance sheet exposures</b>		
10. Off-balance sheet exposures with gross nominal amount	208,974,369	154,462,559
11. Adjustment amount off-balance sheet exposures with credit conversion factor	(74,625,681)	(55,296,687)
12. Total off-balance sheet exposures	134,348,688	99,165,872
<b>Capital and total exposures</b>		
13. Tier 1 capital	57,536,426	41,900,813
14. Total exposures	843,665,168	530,082,011
<b>Leverage ratio</b>		
15. Leverage ratio	6.82	7.91

<sup>(\*)</sup> Calculated by using three month average of balances in Leverage Rate Notification table.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

<b>Current Period - December 31, 2020</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial Assets:</b>		
Receivables from Interbank Money Markets	206,589	206,589
Banks	3,092,180	3,092,180
Financial Assets at Fair Value through Profit or Loss	7,458,281	7,458,281
Financial Assets at Fair Value through Other Comprehensive Income	83,927,925	83,927,925
Assets Measured at Amortised Cost	58,747,252	61,125,697
Loans	449,874,776	430,019,691
<b>Financial Liabilities:</b>		
Bank Deposits	23,033,197	23,033,197
Other Deposits	394,488,685	395,812,966
Funds Borrowed	51,688,995	51,760,302
Marketable Securities	46,154,523	46,210,773
Subordinated Loans	19,458,798	19,481,535
<b>Prior Period- December 31, 2019</b>		
<b>Financial Assets:</b>		
Receivables from Interbank Money Markets	14,535	14,535
Banks	6,218,498	6,218,498
Financial Assets at Fair Value through Profit or Loss	2,307,932	2,307,932
Financial Assets at Fair Value through Other Comprehensive Income	25,800,299	25,800,299
Assets Measured at Amortised Cost	47,014,633	48,467,373
Loans	299,929,601	285,878,463
<b>Financial Liabilities:</b>		
Bank Deposits	10,515,254	10,515,254
Other Deposits	243,615,494	243,782,620
Funds Borrowed	45,063,684	45,206,749
Marketable Securities	29,248,056	29,965,918
Subordinated Loans	19,245,453	18,737,926

Fair values of available-for-sale financial assets and held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of loans are calculated by discounting future cash flows with the use of current market interest rates.

Fair value of funds borrowed with fixed interest rate are calculated by discounting cash flows with current market interest rates. Fair value of funds borrowed with floating interest rate is calculated according to repricing period by discounting cash flows with current market rates.

Fair value of other assets and liabilities is calculated by adding accumulated acquisition costs and the sum of the interest accrual.

*Classification of Fair Value Measurement*

TFRS 7 - Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**VIII. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)**

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

<b>Current Period - December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:	<b>288,388</b>	<b>7,000,000</b>	<b>169,893</b>	<b>7,458,281</b>
<i>Debt securities</i>	110,576	7,000,000	-	7,110,576
<i>Equity securities</i>	162,165	-	169,482	331,647
<i>Other financial assets</i>	15,647	-	411	16,058
Financial assets at fair value through other comprehensive income	83,334,603	589,294	4,028	83,927,925
<i>Government debt securities</i>	81,506,602	-	-	81,506,602
<i>Equity securities</i>	14,131	-	4,028	18,159
<i>Other financial assets</i>	1,813,870	589,294	-	2,403,164
Derivative financial assets at fair value through profit or loss	-	8,740,985	-	8,740,985
Investments in associates and subsidiaries <sup>(*)</sup>	513,604	-	1,228,032	1,741,636
<b>Total Financial Assets</b>	<b>84,136,595</b>	<b>16,330,279</b>	<b>1,401,953</b>	<b>101,868,827</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
<i>Derivative financial liabilities at fair value through profit or loss</i>	-	(6,083,301)	-	(6,083,301)
<b>Total Financial Liabilities</b>	-	<b>(6,083,301)</b>	-	<b>(6,083,301)</b>

<sup>(\*)</sup> Fair values of the subsidiaries with fair values that are observable and not based on market data is calculated by independent valuation institutions using various methods (discounted cash flows and dividend method, adjusted net asset value method, peer comparison, realized company acquisitions and mergers). Depending on the changes in the assumptions used by independent valuation institutions in determining the fair value, the carrying value of the subsidiaries and affiliates may change.

<b>Prior Period - December 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss:	<b>2,138,449</b>	-	<b>169,483</b>	<b>2,307,932</b>
<i>Debt securities</i>	2,017,791	-	-	2,017,791
<i>Equity securities</i>	115,844	-	169,483	285,327
<i>Other financial assets</i>	4,814	-	-	4,814
Financial assets at fair value through other comprehensive income	25,226,361	570,014	3,924	25,800,299
<i>Government debt securities</i>	24,100,606	-	-	24,100,606
<i>Equity securities</i>	14,131	-	3,924	18,055
<i>Other financial assets</i>	1,111,624	570,014	-	1,681,638
Derivative financial assets at fair value through profit or loss	-	4,507,228	-	4,507,228
Investments in associates and subsidiaries <sup>(*)</sup>	433,869	-	988,070	1,421,939
<b>Total Financial Assets</b>	<b>27,798,679</b>	<b>5,077,242</b>	<b>1,161,477</b>	<b>34,037,398</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
<i>Derivative financial liabilities at fair value through profit or loss</i>	-	(3,311,997)	-	(3,311,997)
<b>Total Financial Liabilities</b>	-	<b>(3,311,997)</b>	-	<b>(3,311,997)</b>

<sup>(\*)</sup> Fair values of the subsidiaries with fair values that are observable and not based on market data is calculated by independent valuation institutions using various methods (discounted cash flows and dividend method, adjusted net asset value method, peer comparison, realized company acquisitions and mergers). Depending on the changes in the assumptions used by independent valuation institutions in determining the fair value, the carrying value of the subsidiaries and affiliates may change.

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the year ended December 31, 2020 is as follows:

<b>Level 3</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period- December 31, 2019</b>
Balance at the beginning of the year	1,161,477	791,708
Total gains or losses for the year recognized in profit or loss	-	-
Total gains or losses for the year recognized under equity	240,476	369,769
<b>Balance at the end of the year</b>	<b>1,401,953</b>	<b>1,161,477</b>

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IX. TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST**

The Parent Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Group is not involved in trust activities.

**X. CONSOLIDATED SEGMENT REPORTING**

The Group operates in corporate, commercial, small business, retail, treasury and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, overdraft facilities, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Group provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers’ needs effectively and efficiently.

Additionally, the Group provides “small business” banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, TL and foreign currency deposits, investment accounts, internet banking and call-center, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Parent Bank. Individual customers’ needs are met by diversified consumer banking products through branches and alternative delivery channels.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**X. CONSOLIDATED SEGMENT REPORTING (Continued)**

Major financial statement items according to business lines:

<b>Current Period- December 31, 2020</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	10,028,402	21,925,597	16,025,982	22,040	48,002,021
Interest Expense	6,524,940	9,754,656	11,233,147	94,716	27,607,459
Net Interest Income/Losses(Net)	3,503,462	12,170,941	4,792,835	(72,676)	20,394,562
Net Fees and Commissions Income	716,192	2,005,118	262,770	-	2,984,080
Trading Income/ Losses (Net)	-	-	17,633	-	17,633
Dividend Income	-	-	(2,336,832)	-	(2,336,832)
Other Income	-	-	-	8,080,957	8,080,957
Allowance for Expected Credit Losses	1,597,641	9,207,953	990,767	109,229	11,905,590
Other Expenses	-	-	-	9,312,218	9,312,218
Based on Equity Method	-	-	62,032	-	62,032
<b>Profit Before Taxes</b>	<b>2,622,013</b>	<b>4,968,106</b>	<b>1,807,671</b>	<b>(1,413,166)</b>	<b>7,984,624</b>
Provision for taxes	-	-	-	-	(1,577,244)
<b>Net Profit/ Loss</b>					<b>6,407,380</b>
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
<b>TOTAL ASSETS</b>	<b>109,522,550</b>	<b>258,141,374</b>	<b>323,428,045</b>	<b>20,998,548</b>	<b>712,090,517</b>
Segment Liabilities	159,193,919	238,791,161	245,217,084	21,736,266	664,938,430
Equity	-	-	-	47,152,087	47,152,087
<b>TOTAL LIABILITIES</b>	<b>159,193,919</b>	<b>238,791,161</b>	<b>245,217,084</b>	<b>68,888,353</b>	<b>712,090,517</b>
<b>Prior Period- December 31, 2019</b>					
<b>OPERATING INCOME/ EXPENSES</b>					
Interest Income	8,613,951	22,914,049	11,510,095	32,735	43,070,830
Interest Expense	9,345,908	8,414,827	11,483,580	31,261	29,275,576
Net Interest Income/Losses(Net)	(731,957)	14,499,222	26,515	1,474	13,795,254
Net Fees and Commissions Income	979,427	2,079,082	340,606	-	3,399,115
Trading Income/ Losses (Net)	-	-	8,682	-	8,682
Dividend Income	-	-	(2,496,541)	-	(2,496,541)
Other Income	-	-	-	6,581,012	6,581,012
Allowance for Expected Credit Losses	1,383,104	6,439,788	616,397	55,873	8,495,162
Other Expenses	-	-	-	8,354,200	8,354,200
Based on Equity Method	-	-	61,872	-	61,872
<b>Profit Before Taxes</b>	<b>(1,135,634)</b>	<b>10,138,516</b>	<b>(2,675,263)</b>	<b>(1,827,587)</b>	<b>4,500,032</b>
Provision for taxes	-	-	-	-	(991,203)
<b>Net Profit/ Loss</b>					<b>3,508,829</b>
Segment Assets	68,112,914	174,348,959	168,620,369	20,477,634	431,559,876
Subsidiaries and Associates (Net)	-	-	1,481,253	-	1,481,253
<b>TOTAL ASSETS</b>	<b>68,112,914</b>	<b>174,348,959</b>	<b>170,101,622</b>	<b>20,477,634</b>	<b>433,041,129</b>
Segment Liabilities	112,872,965	133,752,512	130,739,892	22,123,470	399,488,839
Equity	-	-	-	33,552,290	33,552,290
<b>TOTAL LIABILITIES</b>	<b>112,872,965</b>	<b>133,752,512</b>	<b>130,739,892</b>	<b>55,675,760</b>	<b>433,041,129</b>

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**XI. INFORMATION ON RISK MANAGEMENT**

The footnotes and related explanations published in the Official Gazette No. 29511 dated October 23, 2015 and prepared in accordance with the “Explanations Communiqué on Explanations to the Public Regarding Banks Risk Management” entered into force as of March 31, 2016 are given in this section. Since the 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.

**1. Information on Risk Management and Overview of Risk Weighted Amounts**

**Risk Management Strategy of The Group**

The Group adopts a forward-looking risk-based approach in all activities by creating high-quality assets and managing its liabilities in order to continuously increase the value it adds to its customers, shareholders and society by managing the assets and values entrusted to it effectively and efficiently. The risk profile available by the group; All significant risks arising from the operating environment, regulatory or economic environment are identified. The development of the risk culture in parallel with the changes in the economic conjuncture and risk perception is considered as an important element by the Group, and it is aimed to ensure risk awareness and sensitivity in the actions to be taken.

Risk management strategy of the Group is basically to avoid legal risks and risks which are unlikely to occur but have a huge impact, to take measures to minimize the risks (to reduce risks) that may arise due to the nature of banking activities, to purchase protection, insurance or techniques such as credit derivatives in order to transfer risks to the third parties (transfer of risk) and the acceptance of risks that are unlikely to occur and have small impact.

Within the scope of the general principles and principles observed by The Group in the context of risk management, the internal capital adequacy assessment process (İSEDES) is established in parallel with the budgeting process to determine the internal capital targets consistent with the risk profile and the activity environment and the effects of scenario outcomes on the Group projections is evaluated.

As a part of risk appetite structure, risk limits are set and over-limit exemptions and early warning levels are observed/ followed. The Parent Bank's risk level is limited to the limits consistent with risk appetite. Risk limits are determined in accordance with the size and complexity of the Parent Bank's risk levels, activities, products and services. The limits are reviewed regularly according to market conditions, the Bank's strategy and the risk appetite and updated when necessary. In addition to the limits, early warning levels indicating that the limits are approached are also determined. If the limit levels are approached or exceeded, the relevant units take the necessary actions.

The risks may arise from the new products and services and effects of these risks are analyzed. For the quantification of quantifiable risks and the qualitative evaluation of non-quantifiable. Effective and applicable systems which are compatible with the Parent Bank's product range and fields of activity are developed.

In response to the sudden and unexpected changes in the macroeconomic indicators and the Group’s specific circumstances, the risks that can be exposed to such as income/expenditure effect, capital loss, economic value change, liquidity adequacy are presented by various reports and stress tests conducted daily, weekly, monthly and annually. These reports and stress tests play an active role in the process of making decisions in the context of risk based approach. Risks subject to stress tests contains all the risks related to the Group’s risk group (on the consolidated balance sheet – off the consolidated balance sheet).

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

These risks are subject to stress test applications independently, and can be subject to stress test applications in an integrated way taking into account interactions between them.

Risks which are subject to stress test applications can be evaluated on portfolio and activities basis, consolidated and non – consolidated basis, at specific and general levels. Specific stress test applications are performed with sensitivity and scenario analysis specific to particular portfolio and activity. General stress test applications are established to ensure that Group’s risks are seen in an integrated perspective. Relations between risks are taken into account by the correlation effect and relations between portfolios are considered with diversification effect. Furthermore in addition to stress tests, reverse stress tests that enable us to evaluate which risk factors and which risk concentrations causes significant loss indicators designed from the outset are conducted.

The Risk Management Department uses the methods appropriate to national legislation and international practices to evaluate and monitor the developments in risks, to take necessary measures, to establish risk limits, to stay within the specified limits, and to perform the necessary analysis, measurement and reporting.

The development of the risk culture by the 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 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- December 31, 2020	Prior Period - December 31, 2019	Current Period- December 31, 2020
<b>1 Credit Risk (excluding counterparty credit risk) (*)</b>	<b>371,215,705</b>	<b>287,730,822</b>	<b>29,697,256</b>
2 Standardised approach	371,215,705	287,730,822	29,697,256
3 Internal rating based approach	-	-	-
<b>4 Counterparty Credit Risk</b>	<b>12,072,413</b>	<b>5,843,023</b>	<b>965,793</b>
5 Standardised approach for counterparty credit risk	12,072,413	5,843,023	965,793
6 Internal model method	-	-	-
<b>7 Equity position in banking book under basic risk weighting or internal rating based</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8 Equity investments in funds - look-through approach</b>	<b>411</b>	<b>-</b>	<b>33</b>
<b>9 Equity investments in funds - mandate-based approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10 Equity investments in funds - 1250% weighted risk approach</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>11 Settlement Risk</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12 Securitization positions in banking accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>
13 IRB ratings-based approach	-	-	-
14 IRB Supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach	-	-	-
<b>16 Market risk</b>	<b>3,427,699</b>	<b>7,395,606</b>	<b>274,216</b>
17 Standardised approach	3,427,699	7,395,606	274,216
18 Internal model approaches	-	-	-
<b>19 Operational Risk</b>	<b>25,510,114</b>	<b>21,759,874</b>	<b>2,040,809</b>
20 Basic Indicator Approach	25,510,114	21,759,874	2,040,809
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
<b>23 The amounts below the thresholds for deduction from capital (subject to a 250% risk weight)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24 Floor adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>412,226,342</b>	<b>322,729,325</b>	<b>32,978,107</b>

(\*) Except for the amount of the discount threshold under the equit

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**2. Linkages between Financial statements and Regulatory Exposures**

**a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

Current Period- December 31, 2020	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and balances at central bank	93,207,242	93,207,242	-	-	-	-
Banks	3,092,180	3,092,180	-	-	-	-
Receivables from Money Markets	206,589	-	206,576	-	13	-
Financial assets at fair value through profit or loss	7,458,281	330,930	-	-	-	-
Financial assets at fair value through other comprehensive income	83,927,925	83,813,823	25,744,884	-	114,102	-
Financial assets measured at amortised cost	58,747,252	58,747,252	38,158,427	-	-	-
Derivative financial assets	8,740,985	-	8,740,985	-	254,068	-
Non-performing financial assets	17,930,171	17,930,171	-	-	-	-
Allowance for expected credit losses (-)	(22,154,960)	(13,691,300)	-	-	-	(8,463,660)
Loans (Net)	431,944,605	431,955,717	-	-	-	(11,112)
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	1,256,254	1,256,254	-	-	-	-
Investments in associates (Net)	1,495,977	1,495,977	-	-	-	-
Leasing receivables	387,851	387,851	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Tangible Assets (Net)	4,896,410	5,083,561	-	-	-	(187,151)
Intangible Assets And Goodwill (Net)	274,124	-	-	-	-	(274,124)
Investment properties (net)	502,143	-	-	-	-	-
Currents Tax Assets (Net)	-	-	-	-	-	-
Deferred Tax Assets	1,234,832	1,234,832	-	-	-	-
Other assets	18,942,656	19,067,081	-	-	-	(124,425)
<b>Total assets</b>	<b>712,090,517</b>	<b>703,911,571</b>	<b>72,850,872</b>	<b>-</b>	<b>368,183</b>	<b>(9,060,472)</b>
<b>Liabilities</b>						
Deposits	417,521,882	-	-	-	-	417,521,882
Loans Received	51,688,995	-	-	-	-	51,688,995
Money Market Funds	101,312,205	-	56,956,105	-	-	44,356,100
Marketable Securities (Net)	46,154,523	-	-	-	-	46,154,523
Funds	3,053	-	-	-	-	3,053
Financial Liabilities At Fair Value Through Profit Or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	6,083,301	-	6,083,301	-	251,958	-
Factoring Payables	672	-	-	-	-	672
Lease Payables	978,735	-	-	-	-	978,735
Provisions	3,050,397	-	-	-	-	3,050,397
Current Tax Liabilities	954,805	-	-	-	-	954,805
Deferred Tax Assets	57,628	-	-	-	-	57,628
Liabilities Related to Non-Current Assets "Held for Sale" and "Discontinued Operations" (Net)	-	-	-	-	-	-
Subordinated debts	19,458,798	-	-	-	-	19,458,798
Other Liabilities	17,673,436	-	-	-	-	17,673,436
Shareholders' Equity	47,152,087	-	-	-	-	47,152,087
<b>Total liabilities</b>	<b>712,090,517</b>	<b>-</b>	<b>63,039,406</b>	<b>-</b>	<b>251,958</b>	<b>649,051,111</b>

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**2. Linkages between Financial statements and Regulatory Exposures (Continued)**

**a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Continued)**

Prior Period - December 31, 2019	Carrying values as reported in published financial statements	Carrying values of items (according to TAS)				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization	Subject to market risk	
<b>Assets</b>						
Cash and balances at central bank	36,504,592	36,504,592	-	-	-	-
Financial assets held for trading	6,218,498	6,218,498	-	-	-	-
Financial assets designated at fair value through profit or loss	14,535	-	29	-	14,506	-
Banks	2,307,932	281,524	-	-	615,649	-
Receivables from money markets	25,800,299	25,800,299	4,443,499	-	-	-
Available for sale financial assets (net)	47,014,633	47,014,633	21,285,023	-	-	-
Loans and receivables	4,507,228	-	4,507,228	-	224,230	-
Factoring receivables	17,712,516	17,712,516	-	-	-	-
Held to maturity investments (net)	(16,081,800)	(12,478,787)	-	-	-	(3,603,013)
Investments in associates (net)	282,217,085	282,211,471	-	-	-	5,614
Investments in subsidiaries (net)	7,696,995	7,696,995	-	-	-	-
Investments in joint ventures (net)	1,138,783	1,138,783	-	-	-	-
Leasing receivables	342,470	342,470	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	3,040,967	2,846,484	-	-	-	194,483
Intangible assets (net)	238,059	-	-	-	-	238,059
Investment properties (net)	608,990	-	-	-	-	-
Tax assets	-	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	801,616	801,616	-	-	-	-
Other assets	12,957,731	12,987,208	-	-	-	(29,477)
<b>Total assets</b>	<b>433,041,129</b>	<b>429,078,302</b>	<b>30,235,779</b>	<b>-</b>	<b>854,385</b>	<b>(3,194,334)</b>
<b>Liabilities</b>						
Deposits	254,130,748	-	-	-	-	254,130,748
Derivative financial liabilities held for trading	45,063,684	-	-	-	-	45,063,684
Loans	25,424,068	-	24,603,857	-	-	820,211
Debt to money markets	29,248,056	-	-	-	-	29,248,056
Debt securities in issue	3,053	-	-	-	-	3,053
Funds	-	-	-	-	-	-
Various debts	3,311,997	-	3,311,997	-	224,230	-
Other liabilities	2,372	-	-	-	-	2,372
Factoring debts	935,938	-	-	-	-	935,938
Debts from leasing transactions	2,258,927	-	-	-	-	2,258,927
Derivative financial liabilities held for hedges	1,141,991	-	-	-	-	1,141,991
Provisions	31,990	-	-	-	-	31,990
Tax liability	5,372,200	-	-	-	-	5,372,200
Liabilities included in disposal groups classified as held for sale (net)	19,245,453	-	-	-	-	19,245,453
Subordinated debts	13,318,362	-	-	-	-	13,318,362
Equity	33,552,290	-	-	-	-	33,552,290
<b>Total liabilities</b>	<b>433,041,129</b>	<b>-</b>	<b>27,915,854</b>	<b>-</b>	<b>224,230</b>	<b>405,125,275</b>

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**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**2. Linkages between Financial statements and Regulatory Exposures (Continued)**

**b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

Current Period- December 31, 2020		Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	703,030,046	703,911,571	-	72,850,872	368,183
2	Liabilities carrying value amount under regulatory scope of consolidation	63,039,406	-	-	63,039,406	251,958
3	Total net amount under regulatory scope of consolidation	639,990,640	703,911,571	-	9,811,466	116,225
4	Off-balance sheet amounts	196,545,161	66,562,294	-	8,773,213	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	65,089,730	-
10	<b>Exposure amounts considered for regulatory</b>	<b>639,990,640</b>	<b>770,473,865</b>	<b>-</b>	<b>83,674,409</b>	<b>116,225</b>

Prior Period- December 31, 2019		Total	Items subject to credit risk	Items subject to securitisation	Items subject to counterparty credit risk	Items subject to market risk
1	Asset carrying value amount under scope of regulatory consolidation	436,235,463	429,078,302	-	30,235,779	854,385
2	Liabilities carrying value amount under regulatory scope of consolidation	27,915,854	-	-	27,915,854	224,230
3	Total net amount under regulatory scope of consolidation	408,319,609	429,078,302	-	2,319,925	630,155
4	Off-balance sheet amounts	153,201,520	52,512,309	-	5,533,807	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	-	-	25,331,365	-
10	<b>Exposure amounts considered for regulatory</b>	<b>408,319,609</b>	<b>481,590,611</b>	<b>-</b>	<b>30,865,172</b>	<b>630,155</b>

**c) Explanations of differences between accounting and regulatory exposure amounts**

There is no significant difference between the amounts assessed pursuant to TAS and the risk amounts used within the scope of capital adequacy reported on the financial statements.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations**

**a) General Information on Credit Risk**

If the counterparty does not partially or completely fulfill its obligations in accordance with contract, the credit risk is exposed. The Group’s definition of credit risk contains the credit risk in all products and activities based on the credit definition of law of banking.

In accordance with the articles 51 and 54 of banking law and in compliance with legal legislation in order to restrict the credit risk in the crediting operations; branches, regional directorates, general directorate crediting units, deputy general manager responsible for credits, general manager, credit committee and board of directors determine the credit limits for counterparties within the framework of lending authority limits and provide credits within these limits.

Crediting activities are one of the basic and extensive fields of activities. The Parent Bank can provide all kind of crediting activities with its experience, competitiveness, variety of product and services. Parallel to this, it has a wide range of organization, regulation (legislation/documentation) and system infrastructure for the marketing, allocation and monitoring process of credit.

While establishing infrastructure, it is also supervised that all activities can be performed on a risk basis, in addition to providing the highest level of efficiency in the processes of the credits.

Credit management is not the single function within the Parent Bank and it is not restricted to the only one unit and responsibility area. Credit management is a process carried out together with different units and employees with different roles, authorities and responsibilities.

Credit facility functions are mainly carried out by the consecration units and in addition to the transactions done by the business units announced by the head of the Credit Management Department, relevant policy, strategy and framework documents are constituted by taking account of the international implementations and national legislation in order to ensure the effective and healthy management of the credit risk. The basic principles and principles of the policy, strategy and framework documents and the identification, measurement, monitoring and reporting of risk within the scope of risk management are determined. In the management of the credit risk, it is essential to consider all risk categories that may lead to capital requirements. In this subjected process, allocation units, evaluation and rating units, and risk management units are playing an active role.

The Parent Bank’s Risk Management Department continues its activities to assess, analyze and report on the credit risk in line with the policy document and measurement results and to determine the effect of the Group on the capital requirement.

Within the results of the studies made in this context, it is possible to establish better portfolios with lower potential asset classes (credit types and/or counterparties) by sharing them with the Parent Bank’s top management and the units managing the loan portfolios, trying to be a guide in these matters.

Sectoral, geographical and individual concentration limits and country risk limits have been determined in order to identify the risks to be created by credit concentration and to establish a balanced credit portfolio, these limits are regularly reviewed and updated considering the Parent Bank’s credit policy, risk appetite and economic changes.

The eventual aim of the Parent Bank is using credit risk inherent management methods in accordance with Basel III and best international implementations. In this context, studies of IRB (Internal Ratings Based Approach) are carried out. Within the scope of IRB studies, politics and procedures are updated as risk-focused. In addition, the work involves the correctness, precision and consistency of the models, which are used by the Parent Bank, and the ratios of them in determining these criteria, measuring the general coherence of the other parts of the models, and basically, the work is continued in terms of qualitative and quantitative validation (verification) of the Parent Bank’s inner credit rating systems.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Credit Quality of Assets**

Current 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	-	138,114,378	385,632	137,728,746
3 Off-balance sheet exposure	473,440	167,832,215	43,756	168,261,899
<b>4 Total</b>	<b>18,403,611</b>	<b>737,891,198</b>	<b>22,574,883</b>	<b>733,719,926</b>

Prior Period -December 31, 2019	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Defaulted Exposures		
1 Loans	17,712,516	282,217,085	16,067,380	283,862,221
2 Debt Securities	-	73,092,800	13,542	73,079,258
3 Off-balance sheet exposure	689,503	125,174,474	57,760	125,806,217
<b>4 Total</b>	<b>18,402,019</b>	<b>480,484,359</b>	<b>16,138,682</b>	<b>482,747,696</b>

**Changes in Stock of Defaulted Loans and Debt Securities<sup>(\*)</sup>**

	Current Period- December 31, 2020	Prior Period- December 31, 2019
<b>1 Defaulted Loans and debt securities at end of the previous reporting period</b>	17,712,516	11,129,308
2 Loans and debt securities that have defaulted since the last reporting period	5,728,918	9,216,769
3 Returned to non-defaulted status	1,649,753	14,992
4 Amounts written-off	890,789	-
5 Other Changes	(2,970,721)	(2,618,569)
<b>6 Defaulted Loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>17,930,171</b>	<b>17,712,516</b>

<sup>(\*)</sup> Indemnified non-cash loans of the firms which are followed under “Non-performing Loans” accounts are not included in the table.

**Additional disclosure related to the credit quality of assets**

As per the provisions of “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Set Aside” published by BRSA, capital and interest payments, and loans unpaid within their maturity or on their due date are accepted to be overdue. Loans the collection of whose capital and interest payments are overdue more than 90 days (This regulation will be applied temporarily for 180 days until 30 June 2021) and the loans whose debtors are decided by the Bank to have lost their credit ratings are deemed to be depreciated or loans for which provision is allocated.

The Parent Bank calculates its expected loss provisions in scope of TFRS 9, as laid out in detail in Information on Expected Loss Provisions no. VIII in the Accounting Policies.

Restructuring that can be applied for performing or non-performing receivables is done by changing the terms of the loan contract or by partially or completely refinancing the loan due to the financial difficulties that the borrower is facing or is likely to encounter in the payments.

**Breakdown of receivables in terms of geographic regions, sectors and remaining maturities**

*Breakdown of receivables in terms of geographic regions*

Credit receivables/risks	Curret Period - December 31, 2020	Prior Period - December 31, 2020
Domestic	398,740,450	258,452,758
European Union Countries	4,313,704	2,391,138
OECD Countries <sup>(*)</sup>	-	-
Off-Shore Banking Regions	-	-
USA, Canada	1,469,341	1,643,305
Other	27,421,110	19,729,884
<b>Toplam</b>	<b>431,944,605</b>	<b>282,217,085</b>

<sup>(\*)</sup>OECD Countries other than EU countries, USA and Canada

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Breakdown of loan receivables by sector**

<b>Current Period- December 31, 2020</b>			
<b>Breakdown of loan receivables by sector</b>	<b>Cash Loans</b>	<b>Impaired Loans</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>3,184,954</b>	<b>193,059</b>	<b>145,556</b>
Farming and raising livestock	3,080,869	175,007	133,997
Forestry	29,948	3,179	2,707
Fishing	74,137	14,873	8,852
<b>Manufacturing</b>	<b>113,832,924</b>	<b>4,267,687</b>	<b>3,310,218</b>
Mining and Quarrying	9,613,071	281,800	240,607
Production	83,027,588	3,101,604	2,455,587
Electricity, Gas, Water	21,192,265	884,283	614,024
<b>Construction</b>	<b>41,169,434</b>	<b>3,959,450</b>	<b>2,743,441</b>
<b>Services</b>	<b>154,499,129</b>	<b>6,651,515</b>	<b>5,366,056</b>
Wholesale and Retail Trade	58,080,392	4,235,827	3,450,743
Accommodation and Dining	14,975,711	356,000	305,800
Transportation and Telecommunication	48,418,802	569,195	466,789
Financial Institutions	8,622,109	72,310	59,967
Real Estate and Rental Services	15,825,029	227,459	193,231
Professional Services	4,154,239	967,355	708,218
Educational Services	2,457,054	110,013	85,171
Health and Social Services	1,965,793	113,356	96,137
<b>Other</b>	<b>119,258,164</b>	<b>2,858,460</b>	<b>2,152,629</b>
<b>Total</b>	<b>431,944,605</b>	<b>17,930,171</b>	<b>13,717,900</b>
<b>Prior Period - December 31, 2019</b>			
<b>Breakdown of loan receivables by sector</b>	<b>Cash Loans</b>	<b>Impaired Loans</b>	<b>Provisions</b>
<b>Agricultural</b>	<b>2,281,748</b>	<b>349,767</b>	<b>259,533</b>
Farming and raising livestock	2,230,181	336,327	247,228
Forestry	20,712	10,175	9,394
Fishing	30,855	3,265	2,911
<b>Manufacturing</b>	<b>70,106,672</b>	<b>4,496,624</b>	<b>3,046,889</b>
Mining and Quarrying	5,999,807	286,472	227,230
Production	48,221,655	3,245,978	2,330,128
Electricity, Gas, Water	15,885,210	964,174	489,531
<b>Construction</b>	<b>26,340,031</b>	<b>2,258,182</b>	<b>1,568,251</b>
<b>Services</b>	<b>106,302,207</b>	<b>7,682,077</b>	<b>5,186,709</b>
Wholesale and Retail Trade	38,409,929	3,934,402	2,879,944
Accommodation and Dining	9,026,757	1,691,403	908,995
Transportation and Telecommunication	34,381,429	665,857	503,079
Financial Institutions	7,712,653	61,293	39,445
Real Estate and Rental Services	11,208,036	217,174	148,569
Professional Services	2,554,064	901,220	555,177
Educational Services	1,768,423	94,643	57,209
Health and Social Services	1,240,916	116,085	94,291
<b>Other</b>	<b>77,186,427</b>	<b>2,925,866</b>	<b>2,417,405</b>
<b>Total</b>	<b>282,217,085</b>	<b>17,712,516</b>	<b>12,478,787</b>

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Breakdown by outstanding maturity**

Current Period - December 31, 2020						
Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
-	38,021,874	16,710,619	52,360,784	217,634,418	107,216,910	431,944,605

Prior Period - December 31, 2019						
Demand	Up to 1 Month	1 – 3 Months	3 – 12 Months	1 – 5 Years	5 Years and Over	Total
105,711	23,122,619	10,298,864	42,720,416	126,456,615	79,512,860	282,217,085

*Amounts of provision allocated receivables (According to the definition used by the Parent Bank in accounting) based on geographical area and sector and amounts deducted from the assets with the related provisions*

*Breakdown by of provision allocated receivables by geographical area*

Current Period - December 31, 2020		
Geographical Area	Loans Receivables(Risks)	Provisions
Domestic	17,650,625	13,488,682
European Union Countries	208,098	197,233
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	71,448	31,985
Other	-	-
<b>Total</b>	<b>17,930,171</b>	<b>13,717,900</b>

(\*) OECD Countries other than EU countries, USA and Canada.

Prior Period- December 31, 2019		
Geographical Area	Loans Receivables(Risks)	Provisions
Domestic	17,533,873	12,336,051
European Union Countries	141,143	131,859
OECD Countries (*)	-	-
Off-Shore Banking Regions	-	-
USA, Canada	37,036	10,413
Other	464	464
<b>Total</b>	<b>17,712,516</b>	<b>12,478,787</b>

(\*) OECD Countries other than EU countries, USA and Canada.

**Aging analysis for overdue receivables**

	Current Period- December 31, 2020	Prior Period- December 31, 2019
31-60 days	2,562,274	1,917,753
61-90 days	2,067,323	2,434,914
91-180 days	2,122,903	-

(\*) Loan receivables with overdue loans are taken into consideration.

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(Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Breakdown of restructured receivables based on whether or not provisions are allocated**

Payment Plan Extensions	Current Period- December 31, 2020	Prior Period- December 31, 2019
Standard Loans	395,256	336,348
Loans Under Close Monitoring	15,431,513	14,909,593
Non-performing Loans	1,529,430	1,001,259

**b) Credit Risk Mitigation**

**Qualitative disclosure on credit risk mitigation techniques**

Credit risk mitigation techniques in the Parent Bank are evaluated within the scope of the "Policy Document on Credit Risk Management". Within the scope of "Communiqué on Credit Risk Mitigation Techniques", published in the Official Gazette dated September 6, 2014, numbered 29111 simple financial guarantee method is used for financial guarantees. Cash and cash equivalents, Treasury support containing Credit Guarantee Fund securities and guarantees are used to mitigate credit risk.

Policies regarding the valuation of financial collateral and the appraisal of the valuations and policies and procedures for the valuation of real estate established for the collateral of mortgage-backed loans, which are an asset class, have been established. These policies and procedures have been prepared in accordance with the "Communiqué on Credit Risk Mitigation" and cover the minimum requirements for collateral valuation and management.

The Parent Bank receives collaterals such as mortgages, sureties/guarantees and financial collaterals for the loans given.

**Credit Risk Mitigation Techniques**

	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
<b>Current Period - December 31, 2020</b>							
1 Loans	311,871,007	115,858,274	81,963,062	79,598,658	51,794,733	-	-
2 Debt Securities	137,728,746	-	-	-	-	-	-
<b>3 Total</b>	<b>449,599,753</b>	<b>115,858,274</b>	<b>81,963,062</b>	<b>79,598,658</b>	<b>51,794,733</b>	-	-
4 Of which Defaulted	17,930,171	-	-	-	-	-	-

	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
<b>Prior Period - December 31, 2019</b>							
1 Loans	195,627,585	88,234,636	59,449,229	29,251,607	24,769,379	-	-
2 Debt Securities	73,079,258	-	-	-	-	-	-
<b>3 Total</b>	<b>268,706,843</b>	<b>88,234,636</b>	<b>59,449,229</b>	<b>29,251,607</b>	<b>24,769,379</b>	-	-
4 Of which Defaulted	17,712,516	-	-	-	-	-	-

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**c) Credit risk under Standardized approach**

**Qualitative disclosures on banks’ use of external credit ratings under the standardized approach for credit risk**

The external rating grades of the counterparties of Fitch Ratings international rating agencies are used in determining the risk weights for the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy. Fitch Ratings is used as an international rating agency to determine the risk weights of risk classes to be received from central government or central banks and from banks and intermediary institutions.

When an international rating is taken into account for the entire risk category of central government or central banks, the centralized and central banks that are not rated by the Fitch Ratings international rating agency are based on the country risk classification issued by the Organization for Economic Co-operation and Development (OECD).

The following table shows that the rating scale of the credit rating agency corresponds to the credit quality levels reported in the annex of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy.

<b>Ratings Matched</b>	<b>Credit Quality Rank</b>	<b>Fitch Ratings</b>
<b>Long Term Credit Ratings</b>	1	AAA ilâ AA-
	2	Between A+ and A-
	3	Between BBB+ and BBB-
	4	Between BB+ and BB-
	5	Between B+ and B-
	6	CCC+ and below
<b>Short Term Credit Ratings</b>	1	Between F1+ and F1
	2	F2
	3	F3
	4	F3 below
	5	-
	6	-



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INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Exposures by asset classes and risk weights

Current Period- December 31, 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
Prior Period- December 31, 2019	Asset Classes/ Risk Weight*	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	250%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
1	Exposures to central governments or central banks	105,276,897	-	-	-	29,223,517	-	204,040	61,413	-	-	-	134,765,867
2	Exposures to regional governments or local authorities	2,464	-	175	-	10,780,067	-	-	-	-	-	-	10,782,706
3	Exposures to public sector entities	5,716	-	680	-	-	-	462,236	-	-	-	-	468,632
4	Exposures to multilateral development banks	11,952	-	-	-	-	-	27,767	-	-	-	-	39,719
5	Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	630,633	-	4,526,456	-	12,086,289	-	555,094	-	-	-	-	17,798,472
7	Exposures to corporates	889,336	-	468,577	-	3,188,002	-	157,364,367	-	-	-	-	161,910,282
8	Retail exposures	387,446	-	312,151	-	-	70,073,225	-	-	-	-	-	70,772,822
9	Exposures secured by residential property	-	-	-	28,900,741	-	-	-	-	-	-	-	28,900,741
10	Exposures secured by commercial real estate	-	-	-	24,509,275	-	-	7,879,632	-	-	-	-	32,388,907
11	Past-due loans	-	-	-	4,398,306	-	-	805,821	30,494	-	-	-	5,234,621
12	Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	197,804	-	-	-	197,804
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Other assets	-	-	-	-	-	-	1,780,859	-	-	-	-	1,780,859
17	Investments in equities	2,613,385	-	629,315	-	-	-	12,266,063	-	-	-	-	15,508,763
18	Total	109,817,829	-	5,937,354	28,900,741	84,185,456	70,073,225	181,345,879	289,711	-	-	-	480,550,195

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**4. Counterparty Credit Risk Explanations**

**Qualitative disclosure on counterparty credit risk**

The counterparty credit risk that may be incurred by the counterparty that is a party to a transaction that is liable to both parties due to default before the final payment in the cash flow is managed within the Parent Bank's "Counterparty Credit Risk Management Policy Document". The counterparty credit risk amounts calculated using the "Fair Value Valuation Method" within the scope of the "Communiqué on Credit Risk Mitigation" are calculated on the basis of the portfolios in the trading accounts and banking accounts, and these amounts are used within the scope of capital adequacy calculations. Various scenarios and stress tests are applied to the counterparty credit risk.

Processes related to counterparty credit risk management activities have been written down. In the direction of the policy document and measurement results, activities of evaluating, analyzing and reporting the counterparty credit risk and determining the effect of the capital requirement of the Parent Bank and Group are being continued.

In addition to the measurement activities, sensitivity and scenario analysis are used to evaluate the resistance of the Group to the changes that may be experienced in risk factors against economic developments. Monthly stress test reports include analyzes of counterparty credit risk. The distributions of positions subject to counterparty credit risk calculation, the ratings of these counterparties from independent rating agencies and transaction concentration are regularly monitored by the Risk Management Department of the Parent Bank. The Parent Bank monitors the level of concentration in terms of the counterparty of derivative transactions. The collateral process of derivative transactions, repo, marketable securities transactions etc. with foreign banks is covered with ISDA (International Swap and Derivatives Association) and ISMA (International Securities Market Association) contracts and the collateral agreements regarding the mutual rights and obligations for the transactions between the two parties.

Treasury transactions are valued on a daily basis over the market prices taking into account these contracts and rules from the beginning to the closing of the transaction and the difference between the favorable and unfavorable values of the transactions against the market prices cause the settlement call movements by agreeing with the related banks. In compliance with the limitations of the bank which exposed to counterparty risk, the Parent Bank follows the limit follow up system. Limits, which are defined as loan limits and compromise limits in the system, are monitored instantaneously.

The Parent Bank has fulfilled its statutory obligations under EMIR (European Markets Infrastructure Regulation). The clearing member of the bank has been transmitted to the "counterparty" via a bank and transactions that provide conditions within the existing transactions in the portfolio have started to be cleared under the conditions of EMIR.

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**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Counterparty credit risk (CCR) approach analysis**

<b>Current Period- December 31, 2020</b>		<b>Renewal cost</b>	<b>Potentially the amount of credit risk</b>	<b>EBPRT</b>	<b>Legal risk Alpha used for the calculation of the amount of</b>	<b>The amount of risk after credit risk mitigation</b>	<b>Risk-weighted amounts</b>
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 için)					-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					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	<b>Total</b>						<b>9,571,472</b>

<b>Prior Period- December 31, 2019</b>		<b>Renewal cost</b>	<b>Potentially the amount of credit risk</b>	<b>EBPRT</b>	<b>Legal risk Alpha used for the calculation of the amount of</b>	<b>The amount of risk after credit risk mitigation</b>	<b>Risk-weighted amounts</b>
1	Fair value method - KKR (for derivatives)	4,141,762	1,392,045			5,533,807	2,981,840
2	Standard approach - KKR (for derivatives)	-	-		1.4	-	-
3	Internal Model Method(for derivative financial instruments,repurchase agreement, securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap için)					-	-
4	Simple methods that can be used to mitigate credit risk-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					25,331,365	1,343,104
5	A comprehensive method for credit risk reduction-(for derivative financial instruments,securities or commodities lending or borrowing transactions, long duration credit transactions with securities transactions of the swap)					14,500	135
6	Repurchase transactions, securities or commodities lending or borrowing transactions, trade credit transactions in securities value at risk for processes with long time					-	-
7	<b>Total</b>						<b>4,325,079</b>

**Capital requirement for credit valuation adjustment (CVA)**

<b>Current Period - December 31, 2020</b>		<b>EAD post CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	8,773,213	2,487,815
4	<b>Total subject to the CVA capital obligation</b>	<b>8,773,213</b>	<b>2,487,815</b>

<b>Prior Period- December 31, 2019</b>		<b>EAD post CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	5,533,807	1,492,063
4	<b>Total subject to the CVA capital obligation</b>	<b>5,533,807</b>	<b>1,492,063</b>

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XI. INFORMATION ON RISK MANAGEMENT (Continued)

Standard Approach - Counterparty Credit Risk (CCR) Exposures by Risk Classes and Risk Weights

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures <sup>(*)</sup>
Claims from central governments and central banks	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 (**)	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42,226,076</b>	<b>3,793,810</b>	<b>19,277,041</b>	<b>-</b>	<b>6,463,645</b>	<b>35,970</b>	<b>2,079,401</b>	<b>-</b>	<b>580,404</b>	<b>9,584,598</b>

(\*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(\*\*) Other assets: The counterparty reported in the counter counterparty risks includes amounts not included in the credit risk.

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INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. INFORMATION ON RISK MANAGEMENT (Continued)

Risk Classes / Risk Weights	0%	10%	20%	35% Secured by real estate	50%	75%	100%	150%	Other	Total Credit Exposures <sup>(*)</sup>
Claims from central governments and central banks	3,864,219	-	-	-	122,047	-	-	-	-	61,024
Claims from regional and local governments	-	3,385	14	-	-	-	-	-	-	341
Claims from administration and non commercial entity	-	1,124	-	-	-	-	22	-	-	134
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from institutions	11,286,007	-	2,670,470	-	4,150,722	-	215,468	-	716,688	2,839,257
Corporates	2,251,432	4,956,078	-	-	-	-	898,689	-	462,646	1,403,550
Retail portfolios	165,869	268,519	-	-	-	25,607	-	-	29,842	46,654
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17,567,527</b>	<b>5,229,106</b>	<b>2,670,484</b>	<b>-</b>	<b>4,272,769</b>	<b>25,607</b>	<b>1,114,179</b>	<b>-</b>	<b>1,209,176</b>	<b>4,350,960</b>

(\*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(\*\*) Other assets: The counterparty reported in the counterparty risks includes amounts not included in the credit risk.

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Collaterals for counterparty credit risk**

Current Period - December 31, 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	-	-	-	-	41,623,658	-
Cash-foreign currency	-	-	-	-	24,239,635	-
Domestic sovereign debts	-	-	-	-	-	13,006
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>65,863,293</b>	<b>13,006</b>

Prior Period - December 31, 2019	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	19,976,812	-
Cash-foreign currency	-	-	-	-	6,181,384	-
Domestic sovereign debts	-	-	-	-	-	14,506
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>26,158,196</b>	<b>14,506</b>

**Loan Derivatives**

Current Period - December 31, 2020	Protection bought	Protection sold
<b>Notionals</b>		
Single-name credit default swaps	1,169,754	3,017,124
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>1,169,754</b>	<b>3,017,124</b>
<b>Fair Values</b>	<b>125,557</b>	<b>634,601</b>
Positive fair values (asset)	125,557	-
Negative fair values (liability)	-	634,601

Prior Period - December 31, 2019	Protection bought	Protection sold
<b>Notionals</b>		
Single-name credit default swaps	1,090,254	2,263,507
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>1,090,254</b>	<b>2,263,507</b>
<b>Fair Values</b>	<b>145,639</b>	<b>498,926</b>
Positive fair values (asset)	145,639	-
Negative fair values (liability)	-	498,926

**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)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**Central counterparty risks**

<b>Current Period - December 31, 2020</b>		<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		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	<b>Exposures to non-QCCPs (total)</b>		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

<b>Prior Period- December 31, 2019</b>		<b>Exposure at default (post-CRM)</b>	<b>RWA</b>
1	<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>		25,881
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,209,176	24,183
3	(i) OTC Derivatives	207,874	4,157
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	1,001,302	20,026
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	650,000	1,698
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

**5. Explanations on Securitizations**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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**INFORMATION RELATED TO CONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**6. Explanations on Market Risk**

**Qualitative disclosure requirements related to market risk**

As a result of fluctuations in the financial market, the Group is exposed to market risk, depending on the exchange rates, interest rates and changes in the market prices of the shares.

In order to evaluate the market risk, liquidity risk, interest risk or condensation risk that Bank is facing or could face, with the policies and limitations that are lineup for to control the risks there is “Market Risk Management Directorate” and it carries out the market risk management. In this extent, this Directorate design the risk measurement models, measurement results and getting regular reports from the other analyzes and give notices from the report of the analyzes to the necessary departments.

Market risks get measured and monitored with the national legislation that are parallel to international applications. This market risk management process continues by including buying and selling balance sheet both internally and externally, meeting the legal necessities, being able to analyze the all risks that can be caused from buying-selling activities and by identifying the market risk that can be caused by all portfolios.

Risk management of the Parent Bank is important in order to be understood by the all management stages and be able to get an opportunity to manage risk. In addition to that, it is similarly important to handle the loss that might cause when a risk occurs. Therefore measurements must cover the evaluations for the fund needs near the size of the risk and evaluations of the conditions that caused it. By using the methods of scenario and stress test, it is possible to see risk levels and needs of funds that can be generated from different circumstances and risky conditions.

In addition to the results of market risk measurements using standard method, which calculated in monthly periods, other daily risk dependencies can be also calculated by using internal model. There are daily back testings occurred in order to examine the trustworthiness and performance of the model results. Besides, there are also scenario analyzes and stress tests are happening in order to backing up the standard method and internal models. In addition to this, in order to limit the market risks, daily limit implementation and limit implementation in accordance with the early warning system can be monitored on daily basis.

**Market Risk- Standardised approach**

		Current Period - December 31, 2020	Prior Period - December 31, 2019
		RWA	RWA
<b>Outright products</b>			
1	Interest rate risk (general and specific)	1,400,825	1,145,162
2	Stock risk (general and specific)	26,508	125,038
3	Foreign exchange risk	1,977,590	6,124,400
4	Commodity risk	-	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	22,776	1,006
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>3,427,699</b>	<b>7,395,606</b>

**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)**

**XI. INFORMATION ON RISK MANAGEMENT (Continued)**

**7. Explanations on Operational Risk**

The “Basic Indicator Method” that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on October 23, 2015 is used in the operational risk calculation of the Group. Under the scope of the calculation, the value found by multiplying the average of the fifteen percent of the year-end gross income amounts realized by the Group over the last three years by twelve and half is considered as the operational risk.

Annual gross revenue is calculated by deduction of profit/loss derived from the sale of available-for-sale assets and held-to-maturity securities, extraordinary income and indemnity insurance gains from the total of net interest income and non interest income.

All staff of the Bank is responsible within the scope of their own roles and work processes of controlling and decreasing operational risks. All units of the Bank are responsible of taking risk-reducing measures through insurance or other risk transfer mechanisms to reduce operational risks that may arise in their own business activities.

Current Period – December 31, 2020	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	10,624,126	14,753,373	15,438,683	13,605,394	15	2,040,809
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	25,510,114

Prior Period- December 31, 2019	2PP	1PP	Current Period	Total/Positive GI year number	Ratio (%)	Total
Gross income	9,438,300	10,624,126	14,753,373	11,605,266	15	1,740,790
Amount subject to Operational Risk (Amount*12,5)	-	-	-	-	-	21,759,874

**8. Interest Rate Risk Related to Banking Book**

The Parent Bank has evaluated to interest rate risk arising from on-balance sheet and off-balance sheet positions in banking accounts in accordance with “Regulation on Measurement and Evaluation of Interest Rate Risk in Banking Accounts with Standard Shock Method” performs and reports on these measurement based results and analyzes on weekly and monthly periods. In addition, in the Asset-Liability Management Committee meetings, the sensitivity of the active, passive and off-balance sheet items to the interest rate is evaluated taking into consideration the market developments.

In line with the management of interest rate risk arising from banking accounts; Scenario analysis, gap analysis to date of re-pricing, behavioral analysis, core demand deposit level, duration and maturity mismatch metrics, option risk, base risk and yield curve risk components are followed together.

Current Period - December 31, 2020	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(7,823,623)/7,246,356	(11.97%) / 11.09%
2	EURO	200/(200)	(1,342,194)/(206,353)	(1.50%) / 0.82%
3	USD	200/(200)	(980,927)/535,680	(2.05%) / (0.32%)
Total (for negative shocks)			-	7,575,683
Total (for positive shocks)			-	(10,146,744)

Prior Period - December 31, 2019	Currency	Applied Shock (+/- x basis points)*	Gains/Losses	Gains / Shareholders' Equity Losses/ Shareholders' Equity
1	TRY	500/(400)	(3,460,645)/2,719,186	(6.69%) / 5.26%
2	EURO	200/(200)	(1,109,163) / 50,912	(2.15%) / 0.10%
3	USD	200/(200)	(132,261) / 340,663	(0.26%) / 0.66%
Total (for negative shocks)			-	3,110,761
Total (for positive shocks)			-	(4,702,069)

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**SECTION FIVE**

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS**

**1. Information on cash and balances with the Central Bank**

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Cash	1,681,211	1,434,732	1,450,320	1,013,138
Central Bank of the Republic of Turkey <sup>(*)</sup>	12,390,091	75,644,781	529,120	32,733,306
Other	591,188	1,465,239	408,434	370,274
<b>Total</b>	<b>14,662,490</b>	<b>78,544,752</b>	<b>2,387,874</b>	<b>34,116,718</b>

<sup>(\*)</sup> TL 26,455,637 (December 31, 2019: TL 11,454,725) of the foreign currency deposit at Central Bank of the Republic of Turkey consists of foreign currency reserve deposits.

As per Communiqué on Required Reserve of CBRT, required reserve may be kept in TL, USD, EUR and standard gold. CBRT pays interest for required reserve kept in TL.

In accordance with “Announcement on Reserve Deposits” of CBRT numbered 2013/15, all banks operating in Turkey shall provide a reserve rate ranging from 1.0% to 6.0% (December 31, 2019: ranging from 1.0% to 7.0%). For foreign currency liabilities, all banks shall provide a reserve rate ranging from 5.0% to 22.0% in US Dollar or Euro (December 31, 2019: ranging from 5.0% to 21.0%).

***Balances with the Central Bank of the Republic of Turkey***

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Unrestricted demand deposits	12,069,426	36,135,248	324,724	21,278,581
Restricted demand deposits	259,120	-	189,108	-
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	13,053,896	-	-
Reserve Deposits	61,545	26,455,637	15,288	11,454,725
<b>Total</b>	<b>12,390,091</b>	<b>75,644,781</b>	<b>529,120</b>	<b>32,733,306</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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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**

***Financial assets at fair value through profit/loss given as collateral or blocked***

As of December 31, 2020, the balance of financial assets at fair value through profit or loss given as collateral is TL 7,000,000. (31 December 2019: None.)

***Financial assets at fair value through profit/loss subject to repurchase agreements***

None.

***Positive differences on derivative financial assets held for trading purpose***

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Forward transactions	50,686	9,940	64,165	1,418
Swap transactions	7,086,102	1,591,494	3,524,230	914,521
Futures	-	-	-	-
Options	1,420	1,343	205	2,689
Other	-	-	-	-
<b>Total</b>	<b>7,138,208</b>	<b>1,602,777</b>	<b>3,588,600</b>	<b>918,628</b>

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 31 December 2020, the fair value of this transaction is TL 247,734, with a nominal amount of 120 million USD and an average maturity of 4.6 years. (As of 31 December 2019, the fair value of this transaction was TL 45,566, with a nominal amount of 100 million USD, and an average maturity of 4.5 years.)

**3. Information on banks**

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Banks				
Domestic	58,996	2,525	6,119	427,951
Foreign	1	3,030,658	1	5,784,427
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>58,997</b>	<b>3,033,183</b>	<b>6,120</b>	<b>6,212,378</b>

**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)**

*Due from foreign banks*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Unrestricted Balance	Restricted Balances <sup>(**)</sup>	Unrestricted Balance	Restricted Balances <sup>(**)</sup>
EU Countries	660,719	-	688,892	-
USA, Canada	745,033	1,005,650	4,107,537	588,136
OECD Countries <sup>(*)</sup>	235,131	-	44,882	-
Off-shore Banking Regions	626	-	291	-
Others	383,500	-	354,690	-
<b>Total</b>	<b>2,025,009</b>	<b>1,005,650</b>	<b>5,196,292</b>	<b>588,136</b>

<sup>(\*)</sup> EU countries, OECD countries except USA and Canada.

<sup>(\*\*)</sup> Restricted balances that occur from securitisation loans and other common banking activities

**4. Information on financial assets at fair value through other comprehensive income**

*Financial assets at fair value through other comprehensive income given as collateral or blocked*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Equity shares	-	-	-	-
Bonds, treasury bills and similar marketable securities	4,241,350	34,972,671	397,624	2,528,365
Other	-	-	-	-
<b>Total</b>	<b>4,241,350</b>	<b>34,972,671</b>	<b>397,624</b>	<b>2,528,365</b>

*Financial assets at fair value through other comprehensive income subject to repurchase agreements*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Government bonds	13,031,822	3,901,929	2,894,007	-
Treasury bills	-	-	-	-
Other debt securities	-	8,811,133	-	1,549,492
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>13,031,822</b>	<b>12,713,062</b>	<b>2,894,007</b>	<b>1,549,492</b>

*Information on financial assets at fair value through other comprehensive income*

	Current Period- December 31, 2020	Prior Period- December 31, 2019
<b>Debt securities</b>	<b>84,287,305</b>	<b>25,790,926</b>
Quoted on a Stock Exchange	84,199,125	25,725,825
Unquoted	88,180	65,101
<b>Equity securities</b>	<b>18,159</b>	<b>18,055</b>
Quoted on a Stock Exchange	-	-
Unquoted	18,159	18,055
<b>Provisions for impairment losses (-)</b>	<b>377,539</b>	<b>8,682</b>
<b>Total</b>	<b>83,927,925</b>	<b>25,800,299</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

**5. Information on loans**

*Information on all types of loans and advances given to shareholders and employees of the Parent Bank*

	Current Period December 31, 2020		Prior Period December 31, 2019	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct loans provided to the shareholders</b>	-	<b>32,511</b>	-	<b>29,783</b>
Legal entities	-	32,511	-	29,783
Real persons	-	-	-	-
<b>Indirect loans provided to the shareholders</b>	-	-	-	-
<b>Loans provided to the employees</b>	<b>470,993</b>	<b>49</b>	<b>323,645</b>	<b>36</b>
<b>Total</b>	<b>470,993</b>	<b>32,560</b>	<b>323,645</b>	<b>29,819</b>

*Information on loans classified in the first and second group loans and second group loans that have been restructured*

**Current Period - December 31, 2020**

	Standard loans	Loans not Subject to Restructuring	Loans and other receivables under close monitoring <i>Agreement conditions modified</i>	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>389,154,555</b>	<b>18,613,603</b>	<b>2,840,854</b>	<b>12,590,659</b>
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
<b>Specialized lending</b>	-	-	-	-
<b>Other receivables</b>	-	<b>8,744,934</b>	-	-
<b>Total</b>	<b>389,154,555</b>	<b>27,358,537</b>	<b>2,840,854</b>	<b>12,590,659</b>

All creditors, including the Bank, have agreed that the loans provided in scope of loan agreements to Ojer Telekomünikasyon AŞ (OTAŞ), the main shareholder of Türk Telekomünikasyon AŞ (Türk Telekom) shall be restructured. All creditors shall be direct or indirect partners to Levent Yapılandırma Yönetimi AŞ, a special purpose company established in Turkish Republic, and 192,500,000,000 of A group shares, owned by OTAŞ pledged to be the warranty of current loans, which make up the 55% of issued capital of Türk Telekom, were taken over by LYY Telekomünikasyon AŞ as 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 169,482. This amount is presented under “Financial assets at fair value through profit or loss” in the financial statements. As of December 31, 2020, the amount is TL 1,067,728 (December 31, 2019: TL 802,278) and the provision is TL 341,044 (December 31, 2019: TL 65,100).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE

TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

Prior Period - December 31, 2019

	Standard loans	Loans and other receivables under close monitoring		
		Loans not Subject to Restructuring	Agreement conditions modified	
			Loans with Revised Contract Terms	Refinance
<b>Cash Loans</b>				
<b>Non-specialized loans</b>	<b>245,127,249</b>	<b>16,790,004</b>	<b>1,152,718</b>	<b>13,756,875</b>
Loans given to enterprises	78,199,656	9,105,909	263,784	11,890,861
Export loans	9,567,565	597,917	106,759	4,283
Import loans	-	-	-	-
Loans given to financial sector	3,813,721	-	-	-
Consumer loans	55,354,636	827,683	22,482	798,449
Credit cards	10,512,442	226,655	85,665	-
Other	87,679,229	6,031,840	674,028	1,063,282
<b>Specialized lending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>2,175,962</b>	<b>3,214,277</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>247,303,211</b>	<b>20,004,281</b>	<b>1,152,718</b>	<b>13,756,875</b>

Current 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

Prior Period - December 31, 2019

	Standard Loans	Loans under close monitoring
12-Month expected credit losses	1,624,365	-
Significant Increase in Credit Risk	-	1,964,228

Maturity analysis of cash loans

	Standard loans	Loans under close monitoring	
		Loans not Subject to Restructuring	Agreement conditions modified
<b>Current Period - December 31, 2020</b>			
Short-term Loans	71,101,580	9,320,819	83,326
Medium, Long-term Loans	318,052,975	18,037,718	15,348,187
		Loans under close monitoring	
<b>Prior Period - December 31, 2019</b>			
Short-term Loans	57,634,156	6,026,145	1,592,206
Medium, Long-term Loans	189,669,055	13,978,136	13,317,387

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Consumer loans, retail credit cards, personnel loans and personnel credit cards*

<b>Current Period - December 31, 2020</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer loans – TL</b>	<b>1,167,352</b>	<b>89,104,078</b>	<b>90,271,430</b>
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	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	<b>4,639</b>	<b>4,639</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,157	2,157
Other	-	2,482	2,482
<b>Retail credit cards – TL</b>	<b>10,919,678</b>	<b>92,959</b>	<b>11,012,637</b>
With instalment	4,430,552	89,060	4,519,612
Without instalment	6,489,126	3,899	6,493,025
<b>Retail credit cards – FC</b>	<b>14,017</b>	-	<b>14,017</b>
With instalment	-	-	-
Without instalment	14,017	-	14,017
<b>Personnel loans – TL</b>	<b>9,505</b>	<b>334,082</b>	<b>343,587</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	9,505	334,082	343,587
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>126,608</b>	<b>592</b>	<b>127,200</b>
With instalment	44,823	549	45,372
Without instalment	81,785	43	81,828
<b>Personnel credit cards – FC</b>	<b>206</b>	-	<b>206</b>
With instalment	-	-	-
Without instalment	206	-	206
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>5,599,005</b>	-	<b>5,599,005</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>388</b>	-	<b>388</b>
<b>Total</b>	<b>17,836,759</b>	<b>89,536,350</b>	<b>107,373,109</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Consumer loans, retail credit cards, personnel loans and personnel credit cards (Continued)*

<b>Prior Period - December 31, 2019</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer loans – TL</b>	<b>988,803</b>	<b>52,052,993</b>	<b>53,041,796</b>
Housing loans	10,656	23,605,477	23,616,133
Automobile loans	9,031	406,726	415,757
General purpose loans	969,116	28,040,790	29,009,906
Other	-	-	-
<b>Consumer loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Consumer loans – FC</b>	-	<b>4,177</b>	<b>4,177</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	2,108	2,108
Other	-	2,069	2,069
<b>Retail credit cards – TL</b>	<b>8,274,740</b>	<b>83,237</b>	<b>8,357,977</b>
With instalment	3,547,519	78,731	3,626,250
Without instalment	4,727,221	4,506	4,731,727
<b>Retail credit cards – FC</b>	<b>20,464</b>	-	<b>20,464</b>
With instalment	-	-	-
Without instalment	20,464	-	20,464
<b>Personnel loans – TL</b>	<b>15,222</b>	<b>204,352</b>	<b>219,574</b>
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	15,222	204,352	219,574
Other	-	-	-
<b>Personnel loans – FC indexed</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel loans – FC</b>	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Other	-	-	-
<b>Personnel credit cards – TL</b>	<b>103,355</b>	<b>245</b>	<b>103,600</b>
With instalment	37,687	195	37,882
Without instalment	65,668	50	65,718
<b>Personnel credit cards – FC</b>	<b>471</b>	-	<b>471</b>
With instalment	-	-	-
Without instalment	471	-	471
<b>Overdraft Checking Accounts – TL (Real person)</b>	<b>3,737,396</b>	-	<b>3,737,396</b>
<b>Overdraft Checking Accounts – FC (Real person)</b>	<b>307</b>	-	<b>307</b>
<b>Total</b>	<b>13,140,758</b>	<b>52,345,004</b>	<b>65,485,762</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Installment based commercial loans and corporate credit cards*

<b>Current Period - December 31, 2020</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Instalment-based commercial loans – TL</b>	<b>2,743,103</b>	<b>114,059,373</b>	<b>116,802,476</b>
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	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>-</b>	<b>453,243</b>	<b>453,243</b>
Real estate loans	-	-	-
Automobile loans	-	25,550	25,550
General purpose loans	-	427,693	427,693
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>738,273</b>	<b>31,408,388</b>	<b>32,146,661</b>
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
<b>Corporate credit cards – TL</b>	<b>3,382,956</b>	<b>97,503</b>	<b>3,480,459</b>
With instalment	1,194,567	89,774	1,284,341
Without instalment	2,188,389	7,729	2,196,118
<b>Corporate credit cards – FC</b>	<b>2,854</b>	<b>-</b>	<b>2,854</b>
With instalment	-	-	-
Without instalment	2,854	-	2,854
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>943,370</b>	<b>-</b>	<b>943,370</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,810,556</b>	<b>146,018,507</b>	<b>153,829,063</b>

<b>Prior Period - December 31, 2019</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Instalment-based commercial loans – TL</b>	<b>2,035,959</b>	<b>62,592,816</b>	<b>64,628,775</b>
Real estate loans	2,369	959,353	961,722
Automobile loans	58,230	1,635,806	1,694,036
General purpose loans	1,975,360	59,997,657	61,973,017
Other	-	-	-
<b>Instalment-based commercial loans – FC indexed</b>	<b>-</b>	<b>875,810</b>	<b>875,810</b>
Real estate loans	-	-	-
Automobile loans	-	50,396	50,396
General purpose loans	-	825,414	825,414
Other	-	-	-
<b>Instalment-based commercial loans – FC</b>	<b>454,346</b>	<b>17,712,633</b>	<b>18,166,979</b>
Real estate loans	-	-	-
Automobile loans	-	13,585	13,585
General purpose loans	349,039	14,836,693	15,185,732
Other	105,307	2,862,355	2,967,662
<b>Corporate credit cards – TL</b>	<b>2,326,315</b>	<b>13,189</b>	<b>2,339,504</b>
With instalment	684,418	11,672	696,090
Without instalment	1,641,897	1,517	1,643,414
<b>Corporate credit cards – FC</b>	<b>2,746</b>	<b>-</b>	<b>2,746</b>
With instalment	-	-	-
Without instalment	2,746	-	2,746
<b>Overdraft Checking Accounts – TL (Corporate)</b>	<b>1,335,373</b>	<b>-</b>	<b>1,335,373</b>
<b>Overdraft Checking Accounts – FC (Corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>6,154,739</b>	<b>81,194,448</b>	<b>87,349,187</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Allocation of loan customers<sup>(\*)</sup>*

	Current Period - December 31, 2020	Prior Period- December 31, 2019
Public Sector	12,061,315	7,749,313
Private Sector	419,883,290	274,467,772
<b>Total</b>	<b>431,944,605</b>	<b>282,217,085</b>

<sup>(\*)</sup> Non-performing loans are not included.

*Allocation of domestic and overseas loans<sup>(\*)</sup>*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Domestic loans	426,987,986	278,063,831
Foreign loans	4,956,619	4,153,254
<b>Total</b>	<b>431,944,605</b>	<b>282,217,085</b>

<sup>(\*)</sup> Non-performing loans are not included.

**Loans to associates and subsidiaries**

	Current Period - December 31, 2020	Prior Period- December 31, 2019
Direct loans to associates and subsidiaries	33	117
Indirect loans to associates and subsidiaries	-	-
<b>Total</b>	<b>33</b>	<b>117</b>

*Specific provisions accounted for loans (Stage 3)*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Loans and receivables with limited collectability	321,431	1,601,851
Loans and receivables with doubtful collectability	1,356,977	1,849,517
Uncollectible loans and receivables	12,039,492	9,027,419
<b>Total</b>	<b>13,717,900</b>	<b>12,478,787</b>

*Information on non-performing loans (Net)*

*Information on non-performing loans and other receivables restructured or rescheduled*

	Group III Loans With Limited Collectability	Group IV Loans With Doubtful Collectability	Group V Uncollectible Loans
<b>Current period - December 31, 2020</b>			
Gross Amounts Before The Reserves	39,537	275,228	1,001,815
Loans Which Are Restructured	39,537	275,228	1,001,815
<b>Prior period - December 31, 2019</b>			
Gross Amounts Before The Reserves	667,501	466,418	598,108
Loans Which Are Restructured	667,501	466,418	598,108

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2020</b>			
<b>Balance at the beginning of the period</b>	<b>3,203,134</b>	<b>3,492,946</b>	<b>11,016,436</b>
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 (-) <sup>(*)</sup>	325,778	2,124,350	2,170,346
Write-offs (-) <sup>(**)</sup>	-	-	890,789
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	1,596	1,170	(2,766)
<b>Balance at the end of the period</b>	<b>520,617</b>	<b>2,403,646</b>	<b>15,005,908</b>
Provision (-)	321,431	1,356,977	12,039,492
<b>Net balance</b>	<b>199,186</b>	<b>1,046,669</b>	<b>2,966,416</b>

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> As of 31 December 2020, the Parent 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 Parent Bank’s non-performing loan ratio decreased from 4.16% to 3.97%.

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Prior Period - December 31, 2019</b>			
<b>Balance at the beginning of the period</b>	<b>1,626,189</b>	<b>2,131,185</b>	<b>7,371,934</b>
Additions (+)	8,155,473	245,810	815,486
Transfers from other categories of loans under follow-up (+)	-	7,118,350	4,061,537
Transfers to other categories of loans under follow-up (-) <sup>(*)</sup>	6,053,818	5,128,912	55,305
Collections (-)	524,710	873,663	1,190,606
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Currency differences	-	176	13,390
<b>Balance at the end of the period</b>	<b>3,203,134</b>	<b>3,492,946</b>	<b>11,016,436</b>
Provision (-)	1,601,851	1,849,517	9,027,419
<b>Net balance</b>	<b>1,601,283</b>	<b>1,643,429</b>	<b>1,989,017</b>

<sup>(\*)</sup> Loans that are transferred from non-performing loans to restructured loans are presented in the transfers to other categories of loans under follow-up lines.

Uncollectible loans and other receivables are collected through liquidation of collaterals and legal follow-up.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Information on non-performing loans and other receivables in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2020</b>			
Balance at the end of the period	270,909	1,355,575	3,522,337
Provision (-)	169,017	736,070	2,754,282
<b>Net balance on balance sheet</b>	<b>101,892</b>	<b>619,505</b>	<b>768,055</b>
<b>Prior Period - December 31, 2019</b>			
Balance at the end of the period	1,380,333	1,446,485	1,438,214
Specific provision (-)	697,528	736,988	1,147,063
<b>Net balance on balance sheet</b>	<b>682,805</b>	<b>709,497</b>	<b>291,151</b>

Non-performing foreign currency denominated loans are followed in TL accounts.

*The gross and net amounts of non-performing loans according to user groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period - December 31, 2020</b>			
<b>Current Period (Net)</b>	<b>199,186</b>	<b>1,046,669</b>	<b>2,966,416</b>
Consumer and Commercial Loans (Gross)	519,481	2,402,239	14,982,098
Specific Provision (-)	320,297	1,355,573	12,015,700
<b>Consumer and Commercial Loans (Net)</b>	<b>199,184</b>	<b>1,046,666</b>	<b>2,966,398</b>
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	1,136	1,407	23,810
Specific Provision (-)	1,134	1,404	23,792
<b>Other Loans and Receivables (Net)</b>	<b>2</b>	<b>3</b>	<b>18</b>

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period - December 31, 2019</b>			
<b>Prior Period (Net)</b>	<b>1,601,283</b>	<b>1,643,429</b>	<b>1,989,017</b>
Consumer and Commercial Loans (Gross)	3,201,330	3,492,881	10,983,288
Specific Provision (-)	1,600,054	1,849,462	8,994,285
<b>Consumer and Commercial Loans (Net)</b>	<b>1,601,276</b>	<b>1,643,419</b>	<b>1,989,003</b>
Banks (Gross)	-	-	1,551
Specific Provision (-)	-	-	1,551
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	1,804	65	31,597
Specific Provision (-)	1,797	55	31,583
<b>Other Loans and Receivables (Net)</b>	<b>7</b>	<b>10</b>	<b>14</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**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.*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans With Limited Collectability</b>	<b>Loans With Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period (Net) - December 31, 2020</b>	<b>10,442</b>	<b>84,433</b>	<b>658,148</b>
Interest accruals and valuation differences	25,935	201,036	1,786,371
Provision (-)	15,493	116,603	1,128,223
<b>Prior Period (Net) - December 31, 2019</b>	<b>134,273</b>	<b>140,871</b>	<b>245,229</b>
Interest accruals and valuation differences	269,253	304,122	747,230
Provision (-)	134,980	163,251	502,001

**6. Information on financial assets measured at amortized cost**

*Information on measured at amortized cost government debt securities*

	<b>Current Period - December 31, 2020</b>		<b>Prior Period - December 31, 2019</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Government bonds	44,159,655	7,895,261	34,945,546	7,498,362
Treasury bills	-	-	-	-
Other securities issued by the governments	-	6,447,138	-	4,202,218
<b>Total</b>	<b>44,159,655</b>	<b>14,342,399</b>	<b>34,945,546</b>	<b>11,700,580</b>

*Information on financial assets measured at amortized cost*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Debt Securities</b>	<b>58,747,252</b>	<b>47,014,633</b>
Quoted at stock exchanges	58,598,242	46,895,460
Unquoted at stock exchanges	149,010	119,173
<b>Impairment losses (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>58,747,252</b>	<b>47,014,633</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**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 - December 31, 2020	Prior Period - December 31, 2019
<b>Balances at the beginning of the period</b>	<b>47,014,633</b>	<b>39,980,510</b>
Foreign currency differences on monetary assets	3,415,268	950,424
Purchases during the period	10,980,105	6,514,751
Disposals through sales/redemptions	(5,718,504)	(1,664,238)
Change in Impairment losses	-	-
Change in amortized costs of the securities (*)	3,055,750	1,233,186
<b>Balances at the end of the period</b>	<b>58,747,252</b>	<b>47,014,633</b>

(\*) 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	
	TL	FC	TL	FC
<b>Current Period - December 31, 2020</b>				
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
<b>Total</b>	<b>34,247,696</b>	<b>13,920,306</b>	<b>44,218,605</b>	<b>14,528,647</b>

(\*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the “Other” line.

	Cost		Carrying Value	
	TL	FC	TL	FC
<b>Prior Period - December 31, 2019</b>				
Collateralized/blocked investment securities	2,312,391	5,749,919	3,012,289	5,900,181
Investments subject to repurchase agreements	13,015,467	4,131,685	17,082,806	4,202,218
Held for structural position	-	-	-	-
Receivable from security borrowing markets	-	-	-	-
Collateral for security borrowing markets	-	-	-	-
Other (*)	12,407,756	1,873,915	14,909,319	1,907,820
<b>Total</b>	<b>27,735,614</b>	<b>11,755,519</b>	<b>35,004,414</b>	<b>12,010,219</b>

(\*) The securities held as free that are not subject to collateral/blockage or other transactions are presented in the “Other” line.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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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 <sup>(*)</sup>	Ankara/Turkey	9.93	9.93
2 Bankalararası Kart Merkezi AŞ <sup>(*)</sup>	Istanbul/ Turkey	4.75	4.75
3 KKB Kredi Kayıt Bürosu AŞ <sup>(*)</sup>	Istanbul/ Turkey	9.09	9.09
4 Güçbirliği Holding AŞ <sup>(*)</sup>	İzmir/ Turkey	0.07	0.07
5 İzmir Enternasyonel Otelcilik AŞ <sup>(*)</sup>	Istanbul/ Turkey	5.00	5.00
6 İstanbul Takas ve Saklama Bankası AŞ	Istanbul/ Turkey	4.37	4.37
7 Kredi Garanti Fonu AŞ <sup>(*)</sup>	Ankara/ Turkey	1.49	1.49
8 Türkiye Ürün İhtisas Borsası AŞ <sup>(*)</sup>	Ankara/ Turkey	3.00	3.00
9 Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ <sup>(*)</sup>	Istanbul/ Turkey	33.33	33.33
10 JCR Avrasya Derecelendirme AŞ <sup>(*)</sup>	Istanbul/ Turkey	2.86	2.86
11 Birleşik İpotek Finansmanı AŞ <sup>(*)</sup>	Istanbul/ Turkey	8.33	8.33
12 Keskinoğlu Tavukçuluk ve Damızlık İşletmeleri San. Tic. AŞ <sup>(*)</sup>	Manisa/ Turkey	39.30	39.30
13 Tasfiye Halinde World Vakıf UBB Ltd. <sup>(**)</sup>	Lefkoşa/KKTC	83.00	83.59

<sup>(\*)</sup>The financial statement information provided for these associates is taken from the financial statements dated September 30, 2020.

<sup>(\*\*)</sup>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	8,993,195	2,168,107	1,375,436	13,284	-	235,009	415,038	8,460,000
2	272,800	217,454	79,380	6,083	-	35,413	28,503	-
3	411,660	265,464	249,099	5,882	-	48,549	26,579	-
4	150,372	(131,399)	88,098	1	-	(28,485)	(17,998)	-
5	125,137	(222,310)	75,198	-	-	(87,402)	(23,624)	-
6	25,388,236	2,562,447	157,759	399,171	116,760	539,374	612,346	-
7	1,058,164	762,700	19,911	27,280	-	138,849	96,130	-
8	75,153	71,491	2,806	3,865	-	13,078	3,511	-
9	82,474	49,867	17,344	1,497	-	1,852	12,627	-
10	29,956	23,618	25,403	400	-	(1,399)	2,135	-
11	10,108	10,078	49	-	-	78	-	-
12	120,953	(1,427,655)	166,112	705	-	(339,200)	(172,237)	-
13	1,131	(220,178)	-	167	-	(24,010)	(18,232)	-

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

In the current 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 current period, the Parent Bank transferred its 2.47% of its shares in Keskinoğlu Tavukçuluk ve Damızlık İşletmeleri Sanayi Ticaret AŞ, to the former shareholder of the firm by the decision of the firm's Board of Directors.

In the current 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 current 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 current 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 current 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.

In the current period, PTT AS joined the Platform Ortak Kartlı Sistemler AŞ as a new shareholders 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 AŞ. In addition, amounting to TL 350 share was sold of the Parent Bank's capital share.

In the current period Türkiye Varlık Fonu joined to Platform Ortak Kartlı Sistemler AŞ on February 12, 2020, as a new shareholders. 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, amounting to TL 350 share was sold of the Parent Bank's capital share.

In the prior period, the Parent Bank participated in Platform Ortak Kartlı Sistemler AŞ, which was established with a capital of TL 21,000. As of 30 September 2019, the Parent Bank made the payment corresponding to 1/4 of its share.

In the prior period, decision has been made to increase of the Kredi Garanti Fonu AŞ capital share from TL 318,281 to TL 497,817 at the Board of Directors meeting of Kredi Garanti Fonu AŞ as of February 21, 2019.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

***Unconsolidated associates, reasons for not consolidating such investments and accounting treatments applied for such investments:***

İstanbul Takas ve Saklama Bankası AŞ, 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 Sanayi 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, JCR Avrasya Derecelendirme AŞ and Keskinöğlü Tavukçuluk ve Damızlık İşletmeleri San.Tic. AŞ are not financial associates; these associates have not been consolidated. These associates have been accounted for as per TAS-39 in the consolidated financial statements in accordance with TFRS 9.

***Consolidated investments in associates***

Title	Address (City/ Country)	Parent Bank's Share- If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Kıbrıs Vakıflar Bankası Ltd.	Lefkoşa/KKTC	15.00	15.00
2 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Period's Profit/Loss	Fair Value
1 1,639,208	110,580	9,469	122,005	3,467	15,732	4,551	-
2 52,430,920	6,130,769	1,317,093	2,562,208	779,585	712,294	730,504	4,989,600

**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)**

*Movement of consolidated investments in associates*

	Current Period – December 31, 2020	Prior Period - December 31, 2019
<b>Balance at the beginning of the period</b>	<b>297,263</b>	<b>196,867</b>
<b>Movements during the period</b>	<b>131,359</b>	<b>100,396</b>
Transfers	-	-
Acquisitions	-	-
Bonus shares received	-	-
Share of current year profit	-	-
Sales/liquidations	-	-
Fair value changes	131,359	100,396
Impairment losses	-	-
<b>Balance at the end of the period</b>	<b>428,622</b>	<b>297,263</b>
Capital commitments	-	-
Share percentage at the end of period (%)	-	-

*Sectoral distribution of consolidated investments and associates*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Banks	428,622	297,263
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	-	-
<b>Total</b>	<b>428,622</b>	<b>297,263</b>

**Quoted associates**

	Current Period - December 31, 2020	Prior Period – December 31, 2019
Quoted at domestic stock exchanges	418,003	286,644
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>418,003</b>	<b>286,644</b>

*Investments in associates disposed during the period*

There is not any associate disposed by the Parent Bank in the current period.

*Investments in associates acquired during the period*

In the current period, the Parent Bank 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 current 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 current period, the Parent Bank has become a shareholder to Bileşim Finansal Teknolojiler ve Ödeme Sistemleri 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 current 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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DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

8. Investments in subsidiaries

Information on significant subsidiaries

Current Period - December 31, 2020	Vakıfbank		Vakıf Finansal		Vakıf Yatırım		Vakıf Faktoring AŞ		Gayrimenkul		Vakıf Menkul	
	International AG	Kiralama AŞ	Menkul Değerler AŞ	Vakıf Yatırım	Vakıf Faktoring AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ	Yat. Ort. AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ
Paid in Capital	311,248	200,000	100,000	100,000	250,000	460,000	30,000					
Share Premium	-	9,044	137	-	-	300,577	121					121
Equity share premiums	-	-	-	-	-	278,978	28					28
Share cancellation profits	-	-	-	-	-	-	-					-
Other capital reserves	-	9,044	137	137	-	21,599	93					93
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	31,506	(628)	(628)	4,397	(13)	(40)					(40)
Other accumulated comprehensive income that will be reclassified in profit or loss	1,207,608	-	11,637	11,637	-	-	-					-
Profit Reserves	17,882	54,290	23,089	23,089	120,688	130,828	408					408
Legal Reserves	17,882	11,317	10,390	10,390	18,286	9,056	395					395
Statutory reserves	-	-	-	-	-	-	-					-
Extraordinary Reserves	-	42,973	12,699	12,699	102,402	121,225	13					13
Other Profit Reserves	-	-	-	-	-	547	-					-
Profit/Loss	100,665	1,455	281,938	281,938	67,998	61,260	(1,399)					(1,399)
Prior Period's Profit/Loss	42,062	(57,263)	124,550	124,550	(18,796)	10,351	(1,737)					(1,737)
Current Period's Profit/Loss	58,603	58,718	157,388	157,388	86,794	50,909	338					338
Minority Rights	-	-	-	-	-	-	-					-
Total Core Capital	1,637,403	296,295	416,173	416,173	443,083	952,652	29,090					29,090
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	-					-
CAPITAL	1,637,403	296,295	416,173	416,173	443,083	952,652	29,090					29,090
NET AVAILABLE EQUITY	1,637,403	296,295	416,173	416,173	443,083	952,652	29,090					29,090

Audited 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 AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)

	Prior Period - December 31, 2019		Vakıfbank		Vakıf Finansal		Vakıf Yatırım		Vakıf Faktoring AŞ		Gayrimenkul		Vakıf Menkul	
	International AG	International AG	Kiralamaya AŞ	Menkul Değerler AŞ	Vakıf Faktoring AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ	Yat. Ort. AŞ	Kıymet Yat. Ort. AŞ	
Paid in Capital	311,248	-	175,000	75,000	170,000	230,000	20,000	-	-	-	-	-	-	-
Share Premium	-	-	5,343	10,017	-	268,330	93	-	-	-	-	-	-	-
Equity share premiums	-	-	-	-	-	246,731	-	-	-	-	-	-	-	-
Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other capital reserves	-	-	5,343	10,017	-	-	93	-	-	-	-	-	-	-
Other accumulated comprehensive income that will not be reclassified in profit or loss	-	-	28,100	(211)	2,388	558	(53)	-	-	-	-	-	-	-
Other accumulated comprehensive income that will be reclassified in profit or loss	732,735	-	-	119,930	-	-	-	-	-	-	-	-	-	-
Profit Reserves	11,854	11,854	48,049	12,316	69,570	130,281	395	-	-	-	-	-	-	-
Legal Reserves	11,854	11,854	10,006	8,601	11,730	9,056	395	-	-	-	-	-	-	-
Statutory reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary Reserves	-	-	38,043	3,715	57,840	121,225	-	-	-	-	-	-	-	-
Other Profit Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/Loss	48,090	48,090	(16,646)	38,984	110,248	10,351	(1,731)	-	-	-	-	-	-	-
Prior Period's Profit/Loss	342	342	(83,464)	2,136	(12,702)	14,255	(2,906)	-	-	-	-	-	-	-
Current Period's Profit/Loss	47,748	47,748	66,818	36,848	122,950	(3,904)	1,175	-	-	-	-	-	-	-
Minority Rights	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Core Capital</b>	<b>1,103,927</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>1,103,927</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET AVAILABLE EQUITY</b>	<b>1,103,927</b>	<b>1,103,927</b>	<b>239,845</b>	<b>256,036</b>	<b>352,206</b>	<b>639,520</b>	<b>18,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Audited BRSA financial statements as of December 31, 2019 are considered.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

Vakıf Yatırım Menkul Değerler AŞ, which is one of the consolidated subsidiaries of the Parent Bank, calculates capital adequacy in accordance with “Communiqué on Capital and Capital Adequacy of Intermediary Firms” of Capital Markets Board as six months periods. According to the calculations at December 31, 2020, there is no capital requirement for the subsidiaries mentioned.

**Unconsolidated investments in subsidiaries**

Title	Address (City / Country)	Bank’s Share –If Different, Voting Rights (%)	Bank’s Risk Group Share (%)
1 Vakıf Enerji ve Madencilik AŞ <sup>(*)</sup>	Ankara/Turkey	65.50	80.48
2 Taksim Otelcilik AŞ <sup>(*)</sup>	Istanbul/ Turkey	51.00	51.00
3 Vakıf Pazarlama Sanayi ve Ticaret AŞ <sup>(*)</sup>	Istanbul/ Turkey	86.97	88.89
4 Vakıf Gayrimenkul Değerleme AŞ <sup>(*)</sup>	Istanbul/ Turkey	97.14	97.14

(\*) The financial statement information provided for these subsidiaries is taken from the financial statements as of September 30, 2020.

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	338,889	224,979	245,125	4,325	-	(3,823)	854	37,128
2	416,980	402,663	198,585	11,547	-	11,787	22,686	483,397
3	85,177	63,950	39,572	2,228	1,151	1,396	6,067	82,045
4	45,625	37,323	583	2,276	77	(1,913)	(2,637)	37,120

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 current 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. In the company’s capital, the Parent Bank’s nominal share increased from TL 13,200 to TL 13,600, and its share increased from 94.29% to 97.14%.

**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	Istanbul/Turkey	78.39	80.62
2 Vakıf Finansal Kiralama AŞ	Istanbul/Turkey	58.71	58.71
3 Vakıf Yatırım Menkul Değerler AŞ	Istanbul/Turkey	99.25	99.40
4 VakıfBank International AG (*)	Vienna/Austria	100.00	100.00
5 Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ	Istanbul/Turkey	17.37	17.37
6 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	Istanbul/Turkey	45.71	45.71

	Total Assets	Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year’s Profit/Loss	Prior Period’s Profit/Loss	Fair Value
1	5,790,693	473,191	3,594	355,883	-	98,106	131,117	565,140
2	3,712,219	355,161	25,570	266,906	-	60,321	31,578	855,400
3	1,762,201	416,672	41,653	53	8,483	182,348	36,884	596,972
4	8,066,059	1,459,834	1,633	118,994	-	34,831	30,653	935,314
5	29,411	29,093	200	1,662	912	350	1,173	220,800
6	2,928,981	1,444,475	883,114	41,859	-	118,592	96,152	1,665,660

(\*) The financial statement information provided for these subsidiaries is taken from the financial statements as of September 30, 2020.

*Movement table of consolidated investments in subsidiaries in consolidated financial statements*

	Current Period – December 31, 2020	Prior Period – December 31, 2019
<b>Balance at the beginning of the period</b>	<b>1,477,248</b>	<b>2,129,732</b>
<b>Movements during the period</b>	<b>1,795,615</b>	<b>(652,484)</b>
Transfers (*)	-	(1,547,479)
Acquisitions	207,561	179,827
Bonus shares received	102,205	384,233
Share of current year profit	-	(42,881)
Sales and liquidations	-	(1,342)
Fair value changes	1,485,849	558,189
Impairment losses	-	(183,031)
<b>Balance at the end of the period</b>	<b>3,272,863</b>	<b>1,477,248</b>
<b>Capital commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

(\*) In the prior period Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ are booked in Non-Current Assets Held for Sale and Discontinued Operations, and are shown in Transfers.

In the current period, 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 current 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 current 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 current 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.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

In the current period, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ's paid-in capital of TL 230,000, within the registered capital ceiling of TL 460,000, 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.

In the prior period, Vakıf Emeklilik ve Hayat AŞ, which was classified in the subsidiary account of the Parent Bank, has been decided to be removed from consolidation and the TL 874,650 share corresponding to the share of the Parent Bank is shown under Transfers in the Movement Table of Investments in Subsidiaries.

In the prior period, Güneş Sigorta AŞ, which was classified in the subsidiary account of the Parent Bank, has been decided to be removed from consolidation and the TL 672,829 share corresponding to the share of the Bank is shown under Transfers in the Movement Table of Investments in Subsidiaries.

In the prior period, it was decided to sell 1,556,292 shares of Güneş Sigorta AŞ traded in the BİAŞ share market. The share of TL 1,122 that the Parent Bank sold was shown under Sales in the Movement Table of Investments in Subsidiaries.

In the prior period, Güneş Sigorta AŞ 's paid-in capital of TL 270,000, within the registered capital ceiling of TL 540,000, was increased by TL 270,000 to TL 540,000. The shares amounting to TL 179,826 corresponding to the Parent Bank's share are shown in the Acquisitions in the Movement Table of Investments in Subsidiaries.

In the prior period, it was decided to sell 220,000 shares of Vakıf Menkul Kıymet Yatırım Ortaklığı AŞ, which were traded in the BİAŞ share market. TL 220 shares sold by the Parent Bank are shown under Sales in the Movement Table of Investments in Subsidiaries.

In the prior period, VakıfBank International AG's Ordinary General Meeting held on 28 June 2019, it was decided to increase the Company's capital from EUR 70,000 to EUR 100,000. TL 177,089 of bonus shares corresponding to the Parent Bank's EUR 27,000 shares are shown under Bonus Shares in the Movement Table of Investments in Subsidiaries.

In the prior period, Vakıf Finansal Kiralama AŞ's Ordinary General Assembly meeting held on 26 June 2019, it was decided to increase the Company's capital from TL 140,000 to TL 175,000. Bonus shares amounting to TL 20,549, corresponding to the share of the Parent Bank, are shown under Bonus Shares in the Movement Table of Investments in Subsidiaries.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ's Ordinary General Assembly Meeting held on June 24, 2019, it was decided to increase the Company's capital from TL 225,000 to TL 230,000. Bonus shares amounting to TL 1,935, corresponding to the share of the Parent Bank, are shown under Bonus Shares in the Movement Table of Investments in Subsidiaries.

In the prior period, at the Ordinary General Assembly of Vakıf Yatırım Menkul Değerler AŞ held on 19 June 2019, it was decided to increase the capital of the Company from TL 35,000 to TL 75,000. Bonus shares amounting to TL 39,700, corresponding to the share of the Parent Bank, are shown under Bonus Shares in the Movement Table of Investments in Subsidiaries.

In the prior period, Vakıf Emeklilik ve Hayat AŞ's Ordinary General Assembly Meeting held on 19 June 2019, it was decided to increase the Company's capital from TL 26,500 to TL 150,000. Bonus shares amounting to TL 66,567, corresponding to the share of the Parent Bank, are shown under Bonus Shares in the Movement Table of Investments in Subsidiaries.

In the prior period, Vakıf Faktoring AŞ's Ordinary General Assembly Meeting held on 18 June 2019, it was decided to increase the Company's capital from TL 70,000 to TL 170,000. The bonus shares amounting to TL 78,393 corresponding to the share of the Parent Bank are shown under Bonus Shares in the Movement Table of Investments in Subsidiaries.

**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)**

*Valuation of consolidated subsidiaries in unconsolidated financial statements*

	Current Period – December 31, 2020	Prior Period – December 31, 2019
Measured at cost	-	-
Measured at fair value (*)	3,272,863	1,477,248
Equity method of accounting	-	-
<b>Total</b>	<b>3,272,863</b>	<b>1,477,248</b>

(\*) Valuation amounts of 31 December 2020 have been taken for the unquoted subsidiaries.

*Sectoral distribution of consolidated investments in financial subsidiaries*

	Current Period – December 31, 2020	Prior Period- December 31, 2019
Banks	935,314	486,740
Factoring companies	443,029	219,011
Leasing companies	502,224	249,776
Financing companies	-	-
Other financial subsidiaries	1,392,296	521,721
<b>Total</b>	<b>3,272,863</b>	<b>1,477,248</b>

*Quoted consolidated subsidiaries*

	Current Period – December 31, 2020	Prior Period – December 31, 2019
Quoted at domestic stock exchanges	1,302,025	479,711
Quoted at international stock exchanges	-	-
<b>Total</b>	<b>1,302,025</b>	<b>479,711</b>

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

*Consolidated subsidiaries disposed during the period*

In the current 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 current period, 53.90% 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, all of Vakıf Portföy Yönetimi AŞ's shares, which were monitored by the Parent Bank in the Fixed Assets Held for Sale and Discontinued Operations account, were sold to Ziraat Portföy Yönetimi AŞ for TL 52,500 and as of January 2, 2019 and the Parent Bank has no remaining shares in Vakıf Portföy Yönetimi AŞ.

*Investments in subsidiaries acquired during the period*

The Parent Bank has no subsidiaries acquired in the current period.

**9. Investments in joint-ventures**

There is not any investment in joint-ventures of the Group within current and prior period.

**10. Information on finance lease receivables (net)**

*Finance lease receivables disclosed according to remaining maturities*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Gross	Net	Gross	Net
Less than 1 year	828,136	739,669	777,828	706,300
Between 1-4 years	2,593,089	2,209,340	2,070,301	1,766,622
Longer than 4 years	427,038	322,001	399,625	301,194
<b>Total</b>	<b>3,848,263</b>	<b>3,271,010</b>	<b>3,247,754</b>	<b>2,774,116</b>

*Net investments in finance lease receivables*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Gross finance lease receivables	3,848,263	3,247,754
Unearned income on finance lease receivables (-)	577,253	473,638
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>3,271,010</b>	<b>2,774,116</b>

**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)**

*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 tangible assets**

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
<b>Balance at the end of the prior year:</b>					
Cost	1,551,579	1,144,336	140,281	1,869,373	4,705,569
Accumulated depreciation(-)	59,374	251,115	32,795	1,280,562	1,623,846
Impairment(-)	27,344	-	-	13,412	40,756
<b>Net book value</b>	<b>1,464,861</b>	<b>893,221</b>	<b>107,486</b>	<b>575,399</b>	<b>3,040,967</b>
<b>Current Period:</b>					
Net book value at the beginning of the current year	1,464,861	893,221	107,486	575,399	3,040,967
Additions	821,550	437,224	92,418	196,130	1,547,322
Transferred cost	1,435,074	-	-	-	1,435,074
Transferred amortisation	12,139	-	-	-	12,139
Cost of the disposals	348,516	200,919	2,305	28,014	579,754
Depreciation of the disposals (-)	497	32,463	1,198	34,767	68,925
Depreciation of the current year	10,688	262,168	27,815	163,902	464,573
Impairment (-)	101,389	-	-	66,331	167,720
Exchange differences related to foreign associates	(6,284)	-	146	(4,700)	(10,838)
Cost at the end of the current year	3,453,403	1,380,641	230,540	2,032,789	7,097,373
Accumulated depreciation at the end of the year (-)	57,426	480,820	59,412	1,409,697	2,007,355
Impairment (-)	114,717	-	-	78,891	193,608
<b>Net book value at the end of the current year</b>	<b>3,281,260</b>	<b>899,821</b>	<b>171,128</b>	<b>544,201</b>	<b>4,896,410</b>

**13. Information on intangible assets**

Group’s intangible assets consist of computer softwares and licences. The estimated useful life or depletion share of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives. The Parent Bank divides the depletion share of intangible assets according to inflation adjusted values.

There is not any intangible asset that is important for fullest extend of financial statements.

Group does not have any intangible asset that is collateral or acquired by government promotion and has a limitation on usage.

The Parent Bank did not declared a commitment to purchase intangible assets.

**14. Information on investment properties**

As of December 31, 2020, there are investment properties with a net balance sheet value of TL 502,143 (31 December 2019: TL 608,990) and a fair value of TL 867,782 (31 December 2019: TL 1,018,635), belonging to the Parent Bank’s subsidiary operating in the real estate investment trust.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

**15. Information on tax assets**

**a) Current tax assets**

As at December 31, 2020 there is no current tax asset of the Group (December 31, 2019: None).

**b) Deferred tax assets**

Items generating deferred tax assets or liabilities are listed below as at December 31, 2020 and December 31, 2019:

	<b>Current Period - December 31, 2020</b>	<b>Prior Period – December 31, 2019</b>
Provision for employee termination benefits and unused vacations	176,290	143,171
Other provisions	25,771	14,034
Valuation differences of associates and subsidiaries	110,420	46,014
Deductible financial losses	-	-
Investment incentives	302	4,345
Valuation differences of financial assets and liabilities	289,649	431,120
Reporting Standards - Tax Code depreciation differences	-	49
Provision (General Provision)	1,731,046	728,369
Other differences	18,638	34,994
<b>Deferred tax assets</b>	<b>2,352,116</b>	<b>1,402,096</b>
Net-off of the deferred tax assets and liabilities from the same entity	(1,117,284)	(600,480)
<b>Deferred tax assets, (net)</b>	<b>1,234,832</b>	<b>801,616</b>
Valuation differences of financial assets and liabilities	896,839	460,570
Valuation difference for associates and subsidiaries	133,178	62,343
Valuation differences of properties	96,345	74,679
Other differences	48,550	34,878
<b>Deferred tax liabilities</b>	<b>1,174,912</b>	<b>632,470</b>
Net-off of the deferred tax assets and liabilities from the same entity	(1,117,284)	(600,480)
<b>Deferred tax liabilities, (net)</b>	<b>57,628</b>	<b>31,990</b>

As at December 31, 2020 and December 31, 2019, items generating deferred tax assets or liabilities movement table is listed below:

	<b>Current Period December 31, 2020</b>	<b>Prior Period December 31, 2019</b>
<b>As of 1 January</b>	<b>769,626</b>	<b>157,247</b>
Deferred tax income/(loss)	460,368	882,613
Deferred tax that is accounted under Equity	(24,877)	(95,884)
Other	(27,913)	(174,350)
<b>Deferred tax asset/(liability)</b>	<b>1,177,204</b>	<b>769,626</b>

The reconciliation of the deferred tax on the assets directly related to the equity is as follows as of December 31, 2020 and December 31, 2019:

	<b>Current Period December 31, 2020</b>	<b>Prior Period December 31, 2019</b>
Financial assets at fair value through other comprehensive income	(10,853)	(234,295)
Associates and subsidiaries	(10,202)	51,424
Tangible assets	(22,773)	71,848
Actuarial gains and losses	18,951	15,139
<b>Total</b>	<b>(24,877)</b>	<b>(95,884)</b>

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS (Continued)**

**16. Information on assets held for sale and assets related to the discontinued operations**

As of December 31, 2020, the cost of property and equipment held for sale purpose and related to discontinued operations are TL 1,263,718 (December 31, 2019: TL 3,125,112), and the provision for impairment is TL 7,467 (December 31, 2019: TL 12,981). The amount of other assets held for sales and discontinued operations is TL 3 (31 December 2019: None.)

As per the Board of Directors decision in December 13th, 2019, the Bank has started the process of transfer of shares held in subsidiaries Güneş Sigorta and Vakıf Emeklilik ve Hayat AŞ respectively, including publicly held shares, to a new company to be established by Türkiye Varlık Fonu Yönetimi AŞ Güneş Sigorta AŞ and Vakıf Emeklilik ve Hayat AŞ have been removed from the subsidiaries account and started to be disclosed in the Non-Current Assets Held For Sale and Discontinued Operations account.

On April 22, 2020, a share transfer agreement was signed between TVF Financial Investments as the buyer and the Parent Bank as the seller, in order to transfer the Parent Banks shares which represent 51.1% of Güneş Sigorta AŞ's capital and 53.9% of Vakıf Emeklilik ve Hayat AŞ's capital to TVF Financial Investments AŞ ("TVF Financial Investments") and the share transfers were completed as of the same date, and the mentioned companies were excluded from the Parent Bank's Non-Currents Assets or Disposal Groups "Held For Sale" and "From Discontinued Operations (Net)". Accordingly, the price to be paid to the Parent Bank for Güneş Sigorta AŞ shares is determined as TL 2.22 per share, and the total sales price is TL 612,586. The sales price has been totally paid with a special issue government bond. The amount to be paid to the Parent Bank for Vakıf Emeklilik ve Hayat AŞ shares is determined as TL 0.0896 per share, and the total sales price is TL 724,584. The sales price has been totally paid with a special issue government bonds.

Elimination adjusted income and expense figures which has been occurred until the aforementioned sales transaction were booked in the income statement. TL 804,835 consolidated net sales profit has been booked in other operating income

**17. Information on other asset**

As of 31 December 2020, and 31 December 2019 “Other Asset” item does not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

**18. Information on expected loss provisions for financial assets**

	Current Period – December 31, 2020	Prior Period - December 31, 2019
Balances with the Central Bank	990	374
Banks	1,878	8,992
<b>Total</b>	<b>2,868</b>	<b>9,366</b>
Financial Assets Measured at Amortized Cost	6,596	5,054
<b>Total</b>	<b>9,464</b>	<b>14,420</b>

**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**

**1. Information on maturity profile of deposits**

Current 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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>81,637,642</b>	<b>-</b>	<b>90,204,465</b>	<b>218,194,250</b>	<b>8,618,761</b>	<b>6,219,227</b>	<b>12,638,613</b>	<b>8,924</b>	<b>417,521,882</b>

Prior Period December 31, 2019	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving deposits	8,578,245	-	8,388,452	37,058,056	2,528,253	276,512	1,890,243	8,620	58,728,381
Foreign currency deposits	16,360,802	-	15,556,129	51,474,306	5,465,027	2,008,675	9,327,716	-	100,192,655
Residents in Turkey	14,648,196	-	15,260,688	49,173,582	4,631,421	978,319	2,235,416	-	86,927,622
Residents in abroad	1,712,606	-	295,441	2,300,724	833,606	1,030,356	7,092,300	-	13,265,033
Public sector deposits	8,186,969	-	6,028,510	6,735,622	2,793,367	485,159	29,121	-	24,258,748
Commercial deposits	4,424,128	-	13,308,954	13,946,826	1,767,183	482,234	316,449	-	34,245,774
Other	7,545,083	-	1,391,353	7,096,658	3,183,311	379,849	690,573	-	20,286,827
Precious metal deposits	5,596,470	-	-	13,780	-	243,446	49,413	-	5,903,109
Bank deposits	651,040	-	4,541,612	4,525,538	455,074	174,319	167,671	-	10,515,254
Central Bank	661	-	-	-	-	-	-	-	661
Domestic banks	299,302	-	4,234,529	619,030	321,218	12,880	-	-	5,486,959
Foreign banks	104,192	-	307,083	3,906,508	133,856	161,439	167,671	-	4,780,749
Participation banks	246,885	-	-	-	-	-	-	-	246,885
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>51,342,737</b>	<b>-</b>	<b>49,215,010</b>	<b>120,850,786</b>	<b>16,192,215</b>	<b>4,050,194</b>	<b>12,471,186</b>	<b>8,620</b>	<b>254,130,748</b>

**Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit**

	Current Period – December 31, 2020		Prior Period – December 31, 2019	
	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit
Saving deposits	34,549,132	36,235,122	33,649,429	25,078,952
Foreign currency saving deposits	26,578,612	57,449,267	16,583,167	33,677,608
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
<b>Total</b>	<b>61,127,744</b>	<b>93,684,389</b>	<b>50,232,596</b>	<b>58,756,560</b>

**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)**

*Saving deposits out of insurance coverage limits*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Deposits and other accounts at foreign branches	68,685	62,900
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	9,753	10,395
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26/9/2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	-	-

**2. Information on derivative financial liabilities held for trading purpose**

*Negative differences related to the derivative financial liabilities held for trading purpose*

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Forwards	46,128	1,739	57,018	1,379
Swaps	4,013,676	2,019,300	2,168,868	1,081,874
Futures	-	-	-	-
Options	1,367	1,091	213	2,645
Other	-	-	-	-
<b>Total</b>	<b>4,061,171</b>	<b>2,022,130</b>	<b>2,226,099</b>	<b>1,085,898</b>

**3. Information on funds borrowed**

**a) Information on banks and other financial institutions**

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	162,800	1,346,184	-	988,160
Domestic banks and institutions	1,947,294	8,931,538	1,490,651	5,266,568
Foreign banks, institutions and funds	340,202	38,960,977	796,115	36,522,190
<b>Total</b>	<b>2,450,296</b>	<b>49,238,699</b>	<b>2,286,766</b>	<b>42,776,918</b>

**b) Maturity information of funds borrowed**

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Short-term (*)	1,893,582	3,569,660	1,279,849	4,485,291
Medium and Long-term (*)	556,714	45,669,039	1,006,917	38,291,627
<b>Total</b>	<b>2,450,296</b>	<b>49,238,699</b>	<b>2,286,766</b>	<b>42,776,918</b>

(\*) 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 7.77% (December 31, 2019: 11.28%) of the Group’s liabilities. There is no risk concentration on funding sources of the Group.

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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
4 May 2020	367	USD	312	Libor+2.25%	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C)	Mizuho Bank, LTD.
	367	EUR	589.5	Euribor+2.00 %	Abu Dhabi Commercial Bank Emirates NBD Bank (P.J.S.C)	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 (USDMillions)	Loan Type
13 May 2011	15 June 2023	USD	346.5	Based on international remittance flows
19 December 2014	15 December 2021	USD/EUR	428.6	Based on international remittance flows / Based on treasury financing transactions
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 2018	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

As of December 31, 2020, the total securitization balance is equivalent of USD 1,175 million and EUR 168 million. (31 December 2019: USD 1,453 million and EUR 227 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
<b>Current Period - December 31, 2020</b>				
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
<b>Prior Period - December 31, 2019</b>				
Nominal	6,552,704	5,182,186	-	17,233,590
Cost	6,380,114	5,182,186	-	17,160,519
Net Book Value	6,494,825	5,297,752	-	17,455,479

**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)**

**4. Components of “other external resources payable” in the consolidated financials that comprise at least 20% of the account, if the account exceeds 10% of total liabilities and equity excluding off-balance sheet commitments.**

Other external resources payable in the consolidated financials do not exceed 10% of total liabilities and equity.

**5. Criteria used in the determination of lease instalments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

*Obligations under finance leases*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	Gross	Net	Gross	Net
Under 1 year	24,659	23,607	20,932	19,639
1-4 Years	343,787	297,010	465,352	374,544
Over 4 years	981,403	658,118	947,841	541,755
<b>Total</b>	<b>1,349,849</b>	<b>978,735</b>	<b>1,434,125</b>	<b>935,938</b>

With the “IFRS 16 Leases” standard, effective as of January 1, 2019, the difference between operational lease and financial lease has been eliminated, and leasing transactions have started to be 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 December 31, 2020, TL 794,007 (December 31, 2019: TL 608,319) provision for severance pay and TL 93,669 (December 31, 2019: TL 107,214) provision for unused vacation are stated in financial statements under employee rights provision.

Movement of severance pay provision in the period:

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Opening balance</b>	<b>608,319</b>	<b>458,222</b>
Current service cost	60,556	42,922
Previous service cost	37	19,090
Interest cost	70,181	65,053
Paid compensation	(39,516)	(52,764)
Payment/Reduction of benefits/Layoff accordingly composed loss/(gain)	103	6,615
Actuary loss/(gain)	93,439	91,125
Net foreign exchange differences from foreign subsidiaries	888	199
Other Changes	-	(22,143)
<b>Closing balance</b>	<b>794,007</b>	<b>608,319</b>

**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)**

***Information on pension rights***

As per Article 21 of Insurance Law no. 5684 and the clauses of “Actuaries Regulation” published as per this article, the technical financial statements of the Fund is audited by an actuary registered in the actuary registry. No technical or actual deficits which need the allocation of provisions as per the actuary report dated January 2021 is identified.

<b>Transferable retirement and health liabilities</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2020</b>
Net Present Value of Transferable Retirement Liabilities	(9,103,430)	(8,016,606)
Net Present Value of Transferable Retirement and Health Contributions	7,319,847	6,813,970
General Administration Expenses	(91,034)	(80,166)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,874,618)	(1,282,802)
Fair Value of Plan Assets (2)	6,577,453	6,255,056
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,702,835	4,972,254

Actuarial assumptions used in valuation of Non Transferable Benefits based on TAS 19 are as follows:

<b>Discount Rates</b>	<b>Current Period – December 31, 2020</b>	<b>Previous Period - December 31, 2019</b>
Benefits Transferable to SSI	9.80%	9.80%
Non Transferable Benefits	2.50%	2.50%

**Distribution of total assets of the Retirement Fund as of December 31, 2020 and December 31, 2019 is presented below:**

	<b>Current Period – December 31, 2020</b>	<b>Previous Period - December 31, 2019</b>
Bank placements	2,462,572	639,362
Government Bonds and Treasury Bill, Fund and Accrual	1,476,099	3,267,243
Interest Income		
Tangible assets <sup>(*)</sup>	2,387,853	2,219,862
Other	250,929	128,589
<b>Total</b>	<b>6,577,453</b>	<b>6,255,056</b>

<sup>(\*)</sup> The Tangible assets value indicates all the stocks’ and real estate properties’ market values, as of December, 31, 2020.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

*Provision for currency exchange loss on foreign currency indexed loans*

	Current Period - June 30, 2020	Prior Period - December 31, 2019
Provision for Foreign Exchange Indexed Loans	7,594	546

*Provisions for non-cash loans that are not indemnified and not converted into cash*

As of December 31, 2020 the Parent Bank has recorded TL 43,756 (December 31, 2019: TL 57,760) as provisions for non-cash loans that are not indemnified or converted into cash.

*Information on provision for probable risks*

As of 31 December 2020, the free provision in the financial statements amounted to a total of TL 1,072,000 (31 December 2019: TL 852,000), of which is constituted by TL 220,000 in the current period and TL 852,000 in the prior periods.

**8. Taxation**

*Current Taxes*

As at and for the year ended December 31, 2020, the tax liability of the Group is amounting to TL 396,020 (December 31, 2019: TL 586,727).

*Information on taxes payable*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Corporate taxes payable	396,020	586,727
Taxation on securities	283,597	257,672
Capital gains tax on property	1,561	3,515
Taxes on foreign exchange transactions	8,002	4,428
Banking and Insurance Transaction Tax (BITT)	201,314	202,056
Value added tax payable	11,758	13,276
Other	46,994	68,391
<b>Total</b>	<b>949,246</b>	<b>1,136,065</b>

*Information on premiums payable*

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Social security premiums- employee share	538	518
Social security premiums- employer share	597	494
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	23	22
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	1,476	1,639
Unemployment insurance- employer share	2,925	3,253
Other	-	-
<b>Total</b>	<b>5,559</b>	<b>5,926</b>

*Information on deferred tax liabilities*

Information on deferred tax liabilities is presented in disclosure 15 of information and disclosures related to assets.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

**9. Information on payables for assets held for resale and tangible assets related to discounted activities**

None. (December 31, 2019: TL 5,372,200)

**10. Information on subordinated loans**

Total balance sheet value of the bonds is TL 19,458,798 as of December 31, 2020 (December 31, 2019: TL 19,245,453).

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
<b>Debt instruments to be included in the additional capital calculation</b>	<b>5,144,984</b>	<b>6,627,849</b>	<b>5,139,810</b>	<b>4,839,684</b>
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	5,144,984	6,627,849	5,139,810	4,839,684
<b>Debt instruments to be included in the additional capital calculation</b>	<b>1,256,477</b>	<b>6,429,488</b>	<b>1,255,067</b>	<b>8,010,892</b>
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	1,256,477	6,429,488	1,255,067	8,010,892
<b>Total</b>	<b>6,401,461</b>	<b>13,057,337</b>	<b>6,394,877</b>	<b>12,850,576</b>

Detailed explanations on subordinated loans are given in the Section IV, "Information on Instruments to be Included in Equity Calculation".

**11. Information on shareholders' equity**

**Paid-in capital**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Common stock	3,905,622	2,500,000
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.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

*Information on share capital increases and their sources; other information on any increase in capital shares during the current period*

Date of Increase	Amount of Increase	Cash	Profit Reserves Subject to Increase	Share Premium Subject to Increase
09 June 2020	1,405,622	1,405,622	-	-

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 - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Associates, subsidiaries and joint ventures	1,075,144	-	763,262	-
Financial assets at fair value through other comprehensive income	154,212	868,907	561,571	318,216
<b>Total</b>	<b>1,229,356</b>	<b>868,907</b>	<b>1,324,833</b>	<b>318,216</b>

**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)**

**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*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Commitments for credit card limits	21,320,698	17,293,741
Loan granting commitments	26,088,692	18,079,079
Commitments for cheque payments	5,723,932	3,528,150
Asset purchase sale commitments	11,842,849	7,968,985
Other	3,860,001	2,250,430
<b>Total</b>	<b>68,836,172</b>	<b>49,120,385</b>

*Type and amount of possible losses from off-balance sheet items*

*Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral*

The Parent Bank provided specific provision amounting to TL 473,440 (December 31, 2019: TL 689,503) for non-cash loans that are not indemnified or converted to cash recorded under off-balance sheet items, amounting to TL 43,756 (December 31, 2019: TL 57,760).

*Final guarantees, provisional guarantees, sureties and similar transactions*

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Final letters of guarantee	26,707,408	20,929,135
Letters of guarantee for advances	6,997,981	5,608,940
Letters of guarantee given to custom offices	2,335,826	1,322,033
Provisional letters of guarantee	2,300,586	1,366,139
Other letters of guarantee	37,082,026	29,777,819
<b>Total</b>	<b>75,423,827</b>	<b>59,004,066</b>

**2. Non-cash loans**

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Non-cash loans given for cash loan risks	23,475,004	17,026,869
<i>With original maturity of 1 year or less</i>	<i>3,761,496</i>	<i>6,070,706</i>
<i>With original maturity of more than 1 year</i>	<i>19,713,508</i>	<i>10,956,163</i>
Other non-cash loans	79,001,198	61,253,448
<b>Total</b>	<b>102,476,202</b>	<b>78,280,317</b>

**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)**

**III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS (Continued)**

**3. Sectoral risk concentrations of non-cash loans**

	Current Period - December 31, 2020				Prior Period - December 31, 2019			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>92,169</b>	<b>0.20</b>	<b>711,771</b>	<b>1.21</b>	<b>56,955</b>	<b>0.15</b>	<b>253,240</b>	<b>0.62</b>
Farming and Cattle	85,536	0.19	663,623	1.13	52,735	0.14	231,174	0.57
Forestry	4,980	0.01	-	-	4,190	0.01	-	-
Fishing	1,653	-	48,148	0.08	30	-	22,066	0.05
<b>Manufacturing</b>	<b>14,223,619</b>	<b>32.38</b>	<b>32,550,812</b>	<b>55.60</b>	<b>11,788,946</b>	<b>30.97</b>	<b>20,327,094</b>	<b>50.55</b>
Mining and Quarrying	943,206	2.15	377,971	0.65	236,923	0.62	165,044	0.41
Production	8,627,927	19.64	29,210,184	49.89	7,030,835	18.47	19,172,563	47.68
Electric, gas and water	4,652,486	10.59	2,962,657	5.06	4,521,188	11.88	989,487	2.46
<b>Construction</b>	<b>9,697,538</b>	<b>22.08</b>	<b>7,984,351</b>	<b>13.64</b>	<b>7,620,745</b>	<b>20.02</b>	<b>5,912,307</b>	<b>14.70</b>
<b>Services</b>	<b>18,167,717</b>	<b>41.36</b>	<b>15,093,405</b>	<b>25.78</b>	<b>17,217,616</b>	<b>45.23</b>	<b>10,490,645</b>	<b>26.09</b>
Wholesale and retail trade	7,509,189	17.10	8,560,076	14.62	6,037,803	15.86	6,341,737	15.77
Hotel, food and beverage Services	399,272	0.91	596,204	1.02	314,844	0.83	412,217	1.03
Transportation and telecommunication	3,508,135	7.99	3,935,582	6.72	2,804,464	7.37	2,178,819	5.42
Financial institutions	3,595,286	8.18	315,111	0.54	4,702,677	12.35	174,578	0.43
Real estate and renting Services	1,652,822	3.76	1,310,291	2.24	1,139,197	2.99	465,306	1.16
Self-employment services	1,179,304	2.68	369,557	0.63	1,962,573	5.16	321,924	0.80
Education services	67,596	0.15	1,012	-	56,442	0.15	4,464	0.01
Health and social services	256,113	0.59	5,572	0.01	199,616	0.52	591,600	1.47
<b>Other</b>	<b>1,747,901</b>	<b>3.98</b>	<b>2,206,919</b>	<b>3.77</b>	<b>1,385,664</b>	<b>3.64</b>	<b>3,227,105</b>	<b>8.04</b>
<b>Total</b>	<b>43,928,944</b>	<b>100.00</b>	<b>58,547,258</b>	<b>100.00</b>	<b>38,069,926</b>	<b>100.00</b>	<b>40,210,391</b>	<b>100.00</b>

**4. Information on the first and second group of non-cash loans**

Current 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	-	-
<b>Non-Cash Loans</b>	<b>42,366,816</b>	<b>57,262,340</b>	<b>1,323,090</b>	<b>1,050,516</b>

Prior Period - December 31, 2019	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	35,950,263	20,694,480	1,104,761	574,064
Confirmed bills of exchange and acceptances	7,842	4,562,605	-	3,382
Letters of credit	141,830	13,517,542	-	73,273
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	324,144	142,897	-	-
Other guarantees and sureties	217,069	276,662	-	-
<b>Non-Cash Loans</b>	<b>36,641,148</b>	<b>39,194,186</b>	<b>1,104,761</b>	<b>650,719</b>

**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)**

**III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS (Continued)**

**5. Information on derivative transactions**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>120,966,766</b>	<b>85,949,525</b>
Currency Forwards	3,073,644	4,537,627
Currency Swaps	116,344,721	80,075,495
Currency Futures	382,085	-
Currency Options	1,166,316	1,336,403
<b>Interest Rate Derivative Transactions (II)</b>	<b>79,926,312</b>	<b>66,326,016</b>
Interest Rate Forwards	-	-
Interest Rate Swaps	79,926,312	66,326,016
Interest Rate Options	-	-
Interest Rate Futures	-	-
<b>Other Trading Derivatives (III)</b>	<b>29,788,647</b>	<b>23,593,260</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>230,681,725</b>	<b>175,868,801</b>
<b>Hedging Derivatives</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
<b>B. Total Hedging Derivatives</b>	-	-
<b>Derivative Transactions (A+B)</b>	<b>230,681,725</b>	<b>175,868,801</b>

Current Period - December 31, 2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Currency swaps:</b>						
Purchase	26,476,028	11,801,238	6,715,770	-	223,500	45,216,536
Sale	29,727,665	11,491,289	6,926,215	-	-	48,145,169
<b>Currency forwards:</b>						
Purchase	50,100	301,063	1,178,211	17,153	-	1,546,527
Sale	50,014	300,610	1,159,418	17,075	-	1,527,117
<b>Cross currency interest rate swaps:</b>						
Purchase	-	-	7,579,285	1,639,000	3,278,760	12,497,045
Sale	-	-	6,817,007	1,177,650	2,491,314	10,485,971
<b>Interest rate swaps:</b>						
Purchase	65,000	95,000	5,272,432	4,363,072	30,167,652	39,963,156
Sale	65,000	95,000	5,272,432	4,363,072	30,167,652	39,963,156
<b>Options:</b>						
Purchase	442,822	93,412	38,000	-	-	574,234
Sale	461,568	97,208	33,306	-	-	592,082
<b>Trading securities:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Futures:</b>						
Purchase	-	-	186,250	-	-	186,250
Sale	-	-	195,835	-	-	195,835
<b>Other trading derivatives:</b>						
Purchase	2,614,950	563,977	2,045,191	4,085,486	7,884,604	17,194,208
Sale	4,386	563,977	1,789,764	3,139,412	7,096,900	12,594,439
<b>Total purchases</b>	<b>29,648,900</b>	<b>12,854,690</b>	<b>23,015,139</b>	<b>10,104,711</b>	<b>41,554,516</b>	<b>117,177,956</b>
<b>Total sales</b>	<b>30,308,633</b>	<b>12,548,084</b>	<b>22,193,977</b>	<b>8,697,209</b>	<b>39,755,866</b>	<b>113,503,769</b>
<b>Total</b>	<b>59,957,533</b>	<b>25,402,774</b>	<b>45,209,116</b>	<b>18,801,920</b>	<b>81,310,382</b>	<b>230,681,725</b>

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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)**

<b>Prior Period - December 31, 2019</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
<b>Currency swaps:</b>						
Purchase	15,005,140	6,896,536	3,989,479	133,623	178,650	26,203,428
Sale	16,274,347	6,921,551	4,029,209	105,000	-	27,330,107
<b>Currency forwards:</b>						
Purchase	101,976	537,671	1,171,136	461,825	-	2,272,608
Sale	101,790	536,140	1,166,826	460,263	-	2,265,019
<b>Cross currency interest rate swaps:</b>						
Purchase	-	122,124	357,300	10,734,025	2,501,707	13,715,156
Sale	-	282,977	169,645	10,002,448	2,371,734	12,826,804
<b>Interest rate swaps:</b>						
Purchase	10,000	111,160	1,333,330	8,113,874	23,594,644	33,163,008
Sale	10,000	111,160	1,333,329	8,113,875	23,594,644	33,163,008
<b>Options:</b>						
Purchase	429,818	94,300	137,745	-	-	661,863
Sale	440,210	96,002	138,328	-	-	674,540
<b>Trading securities:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Futures:</b>						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
<b>Other trading derivatives:</b>						
Purchase	1,306,719	173,000	-	5,540,430	6,733,189	13,753,338
Sale	-	178,433	-	4,073,741	5,587,748	9,839,922
<b>Total purchases</b>	<b>16,853,653</b>	<b>7,934,791</b>	<b>6,988,990</b>	<b>24,983,777</b>	<b>33,008,190</b>	<b>89,769,401</b>
<b>Total sales</b>	<b>16,826,347</b>	<b>8,126,263</b>	<b>6,837,337</b>	<b>22,755,327</b>	<b>31,554,126</b>	<b>86,099,400</b>
<b>Total</b>	<b>33,680,000</b>	<b>16,061,054</b>	<b>13,826,327</b>	<b>47,739,104</b>	<b>64,562,316</b>	<b>175,868,801</b>

**6. Contingent assets and liabilities**

Group allocates TL 43,699 as provision for lawsuits against the Group (December 31, 2019: TL 37,141).

**7. Services rendered on behalf of third parties**

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts. The Parent Bank's custody services and banking transactions on behalf of individuals and corporate customers do not present a material portion.

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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 - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Short-term loans	6,204,406	678,628	10,008,384	760,812
Medium and long-term loans	23,717,180	5,813,174	18,789,551	5,021,236
Non-performing loans	657,031	-	596,949	-
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>30,578,617</b>	<b>6,491,802</b>	<b>29,394,884</b>	<b>5,782,048</b>

*Information on interest income received from banks*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	1,297
Domestic Banks	40,752	7,862	118,267	36,344
Foreign Banks	-	29,724	2,529	123,042
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>40,752</b>	<b>37,586</b>	<b>120,796</b>	<b>160,683</b>

*Information on interest income received from marketable securities portfolio*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
Financial assets at fair value through profit or loss	24,860	90,514	105,356	6,025
Financial assets at fair value through other comprehensive income	3,345,422	1,062,058	1,980,533	230,887
Financial assets measured at amortised cost	5,209,672	682,258	4,170,602	551,886
<b>Total</b>	<b>8,579,954</b>	<b>1,834,830</b>	<b>6,256,491</b>	<b>788,798</b>

*Information on interest income received from associates and subsidiaries*

None.

**2. Interest Expense**

*Interest expense on funds borrowed*

	Current Period - December 31, 2020		Prior Period - December 31, 2019	
	TL	FC	TL	FC
<b>Banks</b>	<b>217,013</b>	<b>1,221,745</b>	<b>313,198</b>	<b>1,410,328</b>
Central Bank of the Republic of Turkey	3,324	3,161	-	1,878
Domestic Banks	147,200	175,010	232,793	161,903
Foreign Banks	66,489	1,043,574	80,405	1,246,547
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>69,959</b>	<b>-</b>	<b>87,432</b>
<b>Total</b>	<b>217,013</b>	<b>1,291,704</b>	<b>313,198</b>	<b>1,497,760</b>

**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)**

**IV. INFORMATION ON AND DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME (Continued)**

*Interest expense paid to associates and subsidiaries*

	Current Period – December 31, 2020	Prior Period - December 31, 2019
Interests paid to the associates and subsidiaries	48,691	99,103

*Interest expense on securities issued*

Interest paid to securities issued as at for the period ended December 31, 2020 is TL 4,601,930 (TL 2,353,877 and 2,248,053 FC). (December 31, 2019: TL 4,150,779 (TL 2,547,592 and 1,603,187 FC)).

*Maturity structure of the interest expense on deposits*

	Time Deposits							Cumulative deposit	Total
	Current Period – December 31, 2020	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>									
Interbank deposits	-	358,213	220,177	-	-	-	-	-	578,390
Saving deposits	-	1,038,790	4,328,406	197,155	31,782	207,488	783	5,804,404	
Public sector deposits	11,608	1,415,586	518,925	96,913	48,357	3,197	-	2,094,586	
Commercial deposits	197	1,911,666	2,540,215	71,883	72,599	84,683	-	4,681,243	
Other deposits	3	176,293	1,152,718	137,070	18,037	28,009	-	1,512,130	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>11,808</b>	<b>4,900,548</b>	<b>8,760,441</b>	<b>503,021</b>	<b>170,775</b>	<b>323,377</b>	<b>783</b>	<b>14,670,753</b>	
<i>FC</i>									
Foreign Currency deposits	13,368	199,120	1,284,284	63,707	22,628	102,973	-	1,686,080	
Interbank deposits	5,032	62,072	38,154	-	-	-	-	105,258	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	74	-	3,572	790	-	4,436	
<b>Total</b>	<b>18,400</b>	<b>261,192</b>	<b>1,322,512</b>	<b>63,707</b>	<b>26,200</b>	<b>103,763</b>	<b>-</b>	<b>1,795,774</b>	
<b>Grand Total</b>	<b>30,208</b>	<b>5,161,740</b>	<b>10,082,953</b>	<b>566,728</b>	<b>196,975</b>	<b>427,140</b>	<b>783</b>	<b>16,466,527</b>	

	Time Deposits							Cumulative deposit	Total
	Prior Period – December 31, 2019	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<i>TL</i>									
Interbank deposits	-	127,409	341,312	161	93,568	-	-	562,450	
Saving deposits	-	1,245,693	6,033,792	817,665	114,592	255,324	730	8,467,796	
Public sector deposits	22,901	536,859	962,113	165,271	74,265	33,484	-	1,794,893	
Commercial deposits	25	1,294,852	1,802,522	251,889	111,609	75,344	-	3,536,241	
Other deposits	-	161,836	804,571	541,778	101,210	27,926	-	1,637,321	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>22,926</b>	<b>3,366,649</b>	<b>9,944,310</b>	<b>1,776,764</b>	<b>495,244</b>	<b>392,078</b>	<b>730</b>	<b>15,998,701</b>	
<i>FC</i>									
Foreign currency deposits	30,323	179,631	1,176,498	113,507	51,614	192,931	-	1,744,504	
Interbank deposits	11,740	48,031	128,669	61	35,273	-	-	223,774	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	10	-	783	164	-	957	
<b>Total</b>	<b>42,063</b>	<b>227,662</b>	<b>1,305,177</b>	<b>113,568</b>	<b>87,670</b>	<b>193,095</b>	<b>-</b>	<b>1,969,235</b>	
<b>Grand Total</b>	<b>64,989</b>	<b>3,594,311</b>	<b>11,249,487</b>	<b>1,890,332</b>	<b>582,914</b>	<b>585,173</b>	<b>730</b>	<b>17,967,936</b>	

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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. Dividend Income**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Financial assets at fair value through profit or loss	659	7,455
Financial assets at fair value through other comprehensive income	801	-
Investments in Associates	16,173	1,227
<b>Total</b>	<b>17,633</b>	<b>8,682</b>

**4. Information on trading income/losses**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Income</b>	<b>57,052,753</b>	<b>37,861,469</b>
Income from capital market operations	21,945,171	14,465,046
Income from derivative financial instruments	23,304,031	15,991,979
Foreign exchange gains	11,803,551	7,404,444
<b>Losses</b>	<b>(59,389,585)</b>	<b>(40,358,010)</b>
Loss from capital market operations	(20,334,166)	(13,965,147)
Loss from derivative financial instruments	(24,856,691)	(19,652,949)
Foreign exchange loss	(14,198,728)	(6,739,914)
<b>Net trading profit/loss</b>	<b>(2,336,832)</b>	<b>(2,496,541)</b>

Net loss arising from changes in foreign exchange rates that relate to the Group's foreign exchange rate based derivative financial instruments is amounting to TL 1,684,998 as at and for the year ended December 31, 2020 (December 31, 2019: net loss of TL 3,441,982).

**5. Information on other operating income**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Income from reversal of the provisions for loans from prior periods <sup>(*)</sup>	5,385,928	3,526,235
Earned insurance premiums (net of reinsurance share)	268,629	2,015,707
Communication income	16,148	37,251
Gain on sale of assets	736,126	315,137
Income from private pension business	39,340	161,784
Rent income	99,219	20,314
Other income	1,535,567	504,584
<b>Total</b>	<b>8,080,957</b>	<b>6,581,012</b>

<sup>(\*)</sup> As of 31 December 2020, the Parent Bank has written-off loans and provisions, which were classified in the "Group V Loans" (Loans Classified as Loss) and which do not have reasonable expectations for recovery in accordance with the Amendments Regulation published in the Official Gazette dated 27 November 2019 and numbered 30961 by BRSA.

**6. Expected credit loss and other provision expenses**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
<b>Expected Credit Loss</b>	<b>11,617,157</b>	<b>8,356,813</b>
12 month expected credit loss (stage 1)	2,728,984	1,287,701
Significant increase in credit risk (stage 2)	4,369,396	1,799,498
Non-performing loans (stage 3)	4,518,777	5,269,614
<b>Marketable Securities Impairment Expense</b>	<b>14,739</b>	<b>58,712</b>
Financial Assets at Fair Value through Profit or Loss	3,005	6,350
Financial Assets at Fair Value Through Other Comprehensive Income	11,734	52,362
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities</b>		
<b>Value Decrease</b>	<b>7,183</b>	<b>79,637</b>
Investments in Associates	7,183	79,637
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>266,511</b>	<b>-</b>
<b>Total</b>	<b>11,905,590</b>	<b>8,495,162</b>

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. INFORMATION AND DISCLOSURES RELATED TO THE CONSOLIDATED STATEMENT OF INCOME (Continued)**

**7. Information on other operating expenses**

	Current Period - December 31, 2020	Prior Period - December 31, 2019
Reserve for Employee Termination Benefits	95,741	73,602
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	4,791	-
Depreciation Expenses on Tangible Assets	473,160	457,222
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses on Intangible Assets	37,396	35,980
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	2,918,913	2,518,654
<i>Leasing expenses related toIFRS 16 exceptions</i>	81,040	92,870
<i>Repair and maintenance expenses</i>	79,918	77,078
<i>Advertisement expenses</i>	175,359	197,051
<i>Other expenses</i>	2,582,596	2,151,655
Loss on sale of assets	30,778	7,306
Other (*)	2,275,124	2,120,436
<b>Total</b>	<b>5,835,903</b>	<b>5,213,200</b>

(\*) Other operating expenses amounting to TL 2,275,124 (December 31, 2019: TL 2,120,436) is comprised of provision expenses for dividends to the personnel amounting to TL 349,663 (December 31, 2019: TL 252,180), TL 890,789 (December 31, 2019: None ) written off loans and receivables,tax, fees and funds expenses amounting to TL 361,665 (December 31, 2019: TL 294,783), Saving Deposits Insurance Fund expenses amounting to TL 451,999 (December 31, 2019: TL 283,627) and other expenses amounting to TL 221,008 (December 31, 2019: TL 1,289,846)

**8. Information on income/loss from discontinued and continuing operations**

Information and detailed tables on profit before tax from continuing operations are presented in disclosures 1-6 in this section. The Group has no discontinued operations.

**9. Information on tax provision from discontinued and continuing operations**

Information on provision for taxes on income from continuing operations is presented in disclosure 10 in this section. The Group has no discontinued operations.

**10. Information on net profit/loss from discontinued and continuing operations**

Information on net profit/loss from continuing operations is presented in disclosures 1-12 in this section. The Group has no discontinued operations.

**11. Provision for taxes**

***Current year taxation benefit or charge and deferred tax benefit or charge***

In the current period, the Group recorded a tax provision of TL 2,037,612 (December 31, 2019: TL 1,873,816) 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.

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**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*

<b>Sources of deferred tax benefit/charge</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Arising from Origination / (Reversal) of Deductible Temporary Differences	865,218	531,905
Arising from (Origination)/ Reversal of Taxable Temporary Differences	(404,850)	350,708
Arising from Origination / (Reversal) of Tax Losses	-	-
Arising from Tax Rate Change	-	-
<b>Total</b>	<b>460,368</b>	<b>882,613</b>

The table of the tax provision reconciliation for the years December 31, 2020 and December 31, 2019 is as below.

	<b>Current Period – December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
<b>Profit before tax</b>	<b>7,984,624</b>	<b>4,500,032</b>
Tax calculated with legal tam rate (*)	1,978,761	1,839,167
Non-deductible expenses, discounts and other, net	(401,517)	(847,964)
<b>Total</b>	<b>1,577,244</b>	<b>991,203</b>

(\*) Different tax rates are used in the subsidiaries of the parent bank operating abroad, there are corporate tax exemptions on earnings of some subsidiaries operating in Turkey.

**12. Information on net profit and loss**

*The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank’s performance for the period*

Group has incurred TL 48,002,021 interest income and TL 27,607,459 interest expense, also incurred TL 2,984,080 amount of net fee and commission income from its ordinary banking operations (December 31, 2019: TL 43,070,830 interest income, TL 29,275,576 interest expense, TL 3,399,115 net fee and commission income).

*Any changes in estimations, that might have a material effect on current and subsequent period, is indicated*

None.

**13. Income/loss related to non-controlling interest**

	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Income/(losses) related to non-controlling interest	69,927	139,470

**14. Information related to the sub-accounts which constitute at least 20% of other items, in case of the components of other items in the income statement exceeding 10% of the group total**

Other fees and commission income of the Group mainly consist of credit card fees and commissions, insurance commissions, research fees.

Other fees and commission expenses of the Group mainly consist of credit card fees and commissions, commission paid for funds borrowed from foreign banks.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

**1. Information on increases that occur after revaluation of available-for-sale investments**

Movement tables related to revaluation differences of available-for-sale investments where valuation differences arising from the fair value measurement of available-for-sale assets, subsidiaries and affiliates are recorded are as follows:

<b>Valuation Differences of Marketable Securities</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Valuation differences at the beginning of the year	879,787	(117,769)
Fair value changes in the current year	23,471	831,505
Valuation differences transferred to the statement of income	10,279	400,346
Effect of deferred and corporate taxes	(16,059)	(234,295)
<b>Valuation differences at the end of the year</b>	<b>897,478</b>	<b>879,787</b>

<b>Valuation Difference of the Subsidiaries and Affiliates</b>	<b>Current Period - December 31, 2020</b>	<b>Prior Period - December 31, 2019</b>
Valuation differences at the beginning of the year	671,619	415,853
Fair value changes in the current year	204,035	204,342
Valuation differences transferred to the statement of income	-	-
Effect of deferred and corporate taxes	(10,202)	51,424
<b>Valuation differences at the end of the year</b>	<b>865,452</b>	<b>671,619</b>

**2. Information on increases in cash flow hedges**

None.

**3. Reconciliation of the beginning and end of the year balances of foreign exchange differences**

None.

**4. Information on correction differences of shareholders’ equity accounts due to inflation**

In compliance with BRSA’s Circular on April 28, 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at December 31, 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for “capital reserves from inflation adjustments”. The balance of “capital reserves from inflation adjustments” account is transferred to “other capital reserves” account. In 2006, the Parent Bank has increased its paid in capital through “other capital reserves” by TL 605,763.

**5. Information on profit distribution**

At the 66th General Assembly Meeting of the Parent Bank held on June 12, 2020, it was decided to distribute TL 2,802,291 of the distributable net period profit of 2019 totalling TL 189,709 to shareholders as legal reserves, TL 1,634,563 of it as extraordinary reserves, TL 72,815 as special funds.

**6. Information on decreases of revaluation of available-for-sale investments**

Revaluation differences of available-for-sale investments has resulted with increase in the current year. Detailed information about the increases is explained above in Note 1.

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**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS**

**1. Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents**

“Other” item under the “operating profit before changes in operating assets and liabilities” amounting to TL (10,433,515) (December 31, 2019: TL (7,930,040)) is comprised of income from capital market transactions and derivative financial instruments and foreign exchange gains for the year ended.

“Net increase/decrease in other liabilities” amounting to TL 77,814,754 (December 31, 2019: TL (3,685,148)) under “changes in operating assets and liabilities” is mainly comprised of cash inflows from miscellaneous payables and rcrepuhase agreements.

“Other” item under “net cash flow from investing activities” amounting to TL (79,574) (December 31, 2019: TL (38,789)) is comprised of purchases of intangible assets.

When calculating exchange rate effect on cash and cash equivalents, related assests’ high turnover rate are taken into consideration. Each exchange rate’s arithmetic average of the last five days before the report date and provision of average TL that is calculated from the difference from current period’s exchange rate are reflected as an effect of exchange rate change on the cash flow statement. Except for the above-mentioned, banks that have less than three months to maturity are accepted as cash equivalents and average TL provision is calculated by difference between related operation’s per term exchange rate and current period’s exchange rate. As of December 31, 2020 impact of the exchange rate change on cash and cash equivalents is TL 25,608 (December 31, 2019: TL 545,639).

**2. Cash flows from acquisition of associates, subsidiaries and joint-ventures**

It is explained in footnotes 7 and 8 of subsidiaries and affiliates in the Section V.

**3. Cash flows from the disposal of associates, subsidiaries and joint-ventures**

It is explained in footnotes 7 and 8 of subsidiaries and affiliates in the Section V.

**4. Information on cash and cash equivalents**

*Information on cash and cash equivalents at the beginning of the year*

	Prior Period - December 31, 2019	Prior Period - December 31, 2018
<b>Cash on hand</b>	<b>2,463,458</b>	<b>2,345,929</b>
Cash in TL	1,459,578	1,462,095
Cash in foreign currency	1,003,880	883,834
<b>Cash equivalents</b>	<b>28,629,003</b>	<b>19,033,571</b>
CBRT	33,262,426	29,144,389
Banks	7,187,797	6,704,108
Receivables from money markets	14,535	6,839
Other (*)	778,708	1,001,139
Loans and advances to banks having maturity of more than 3 months	(359,791)	(609,535)
Restricted cash and cash equivalents	(12,245,275)	(17,182,290)
Unrealized foreign exchange rate differences on cash equivalents	(9,397)	(31,079)
<b>Total</b>	<b>31,092,461</b>	<b>21,379,500</b>

(\*) As of 31 December 2019, TL 778,708 (31 December 2018: TL 1,001,139) and TL 629,403 (31 December 2018: TL 978,799) out of TL 149,305 (31 December 2018: TL 22,340) that were classified under “Other” was cash in transit and precious metals, respectively

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. INFORMATION AND DISCLOSURES ON STATEMENT OF CASH FLOWS (Continued)**

*Information on cash and cash equivalents at the end of the year*

	<b>Current Period- December 31, 2020</b>	<b>Prior Period- December 31, 2019</b>
<b>Cash on hand</b>	<b>3,115,943</b>	<b>2,463,458</b>
Cash in TL	1,699,186	1,459,578
Cash in foreign currency	1,416,757	1,003,880
<b>Cash equivalents</b>	<b>52,480,104</b>	<b>28,629,003</b>
CBRT	88,034,872	33,262,426
Banks	3,092,180	7,187,797
Receivables from money markets	206,589	14,535
Other	2,056,427	778,708
Loans and advances to banks having maturity of more than 3 months	(73,182)	(359,791)
Restricted cash and cash equivalents	(40,835,818)	(12,245,275)
Unrealized foreign exchange rate differences on cash equivalents	(964)	(9,397)
<b>Total</b>	<b>55,596,047</b>	<b>31,092,461</b>

(\*) As of 31 December 2020, TL 2,056,427 (31 December 2019: TL 778,708) and TL 1,849,161 (31 December 2019: TL 629,403) out of TL 207,266 (31 December 2019: TL 149,305) that were classified under “Other” was cash in transit and precious metals, respectively

**5. Management comment on restricted cash and cash equivalents due to legal requirements or other reasons taking materiality principle into account**

Reserve requirements at CBRT amounting to TL 39,571,078 as at December 31, 2020 (December 31, 2019: TL 11,470,013) has not been included in cash and cash equivalents.

Deposits of the Group amounting to TL 1,264,740 (December 31, 2019: TL 775,262) is blocked due to securitization loans and other ordinary operations of the Group.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK’S RISK GROUP**

**1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at year end and income and expenses in the current year**

*Information on loans and other receivables held by Parent Bank’s risk group*

Current Period - December 31, 2020	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	-	252	-	-	19,611	43

Prior Period - December 31, 2019	Associates and Subsidiaries and Joint-Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the year	85	222,835	-	44,668	193,297	91,969
Balance at the end of the year	117	358,819	-	29,783	334,910	57,317
Interest and commission income	-	341	-	-	49,531	154

*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	260,823	538,053	-	1,079,621	89,026	623,318
Balance at the end of the year	1,718,208	260,823	2,237,815	-	118,001	89,026
Interest on deposits	48,691	99,103	99,294	181,726	8,271	15,157

**Information on forwards, options and other derivative transactions held by the Parent Bank’s risk group**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**DISCLOSURE AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. INFORMATION AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP (Continued)**

**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.

*In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other*

*Information on Benefits Provided to Directors*

In the accounting period ending on December 31, 2020, a total amount of TL 47,299 was paid to the Parent Bank's top management. (December 31, 2019: 51,912 TL).

**VIII. INFORMATION ON DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES OF THE PARENT BANK**

*Domestic and foreign branches and representative offices*

	Number of Branches	Number of Employees		Total Assets	Capital
Domestic Branches(*)	933	16,707			
Foreign Representative Offices	-	-			
			Country		
Foreign Branches	1	22	USA	2,733,701	122,925
	1	14	Iraq	647,661	372,500
Off-shore Branches	1	5	Bahrain	42,033,621	-

(\*) Free zone branches in Turkey are included to domestic branches.

*Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure*

During 2020, 3 new domestic branches (2019: 2 domestic branches) have been opened and 10 branches have been closed (2019: 10).

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(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 66<sup>th</sup> Annual General Assembly held on June 12, 2020, the net profit of year 2019 has been decided to be distributed as follows:

	<b>Profit Distribution Table of Year 2019</b>
<b>Bank’s unconsolidated profit in its statutory financial statements</b>	<b>2,802,291</b>
Deferred tax credits	-
<b>Net profit of the year subject to distribution</b>	<b>2,802,291</b>
Legal reserves	189,709
<i>First Legal Reserves</i>	94,855
<i>Reserves allocated according to banking law and articles of association.</i>	94,854
<b>Net profit of the year subject to distribution</b>	<b>1,707,378</b>
Gain on sale of immovable and shares of associates and subsidiaries	72,815
Extraordinary reserves	1,634,563
<b>Dividends to shareholders</b>	<b>-</b>

**II. INFORMATION ON THE PARENT BANK’S RATING GIVEN BY INTERNATIONAL CREDIT RATING INSTITUTIONS**

<b>September 2020<sup>(*)</sup></b>	<b>Fitch Ratings</b>
Long Term Foreign Currency	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long Term	AA (tur)
National Outlook	Stable
Support	4
Support Rating Floor	B
Viability Note	b+
<b>December 2020<sup>(*)</sup></b>	<b>Moody’s Investors Service</b>
Baseline Credit Assessment	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative
<b>August 2018<sup>(*)</sup></b>	<b>JCR Eurasia</b>
Long Term International FC	BBB- (Negative)
Short Term International FC	A-3 (Negative)
Long Term International TL	BBB-
Short Term International TL	A-3
Long Term NSR	AAA (Stable)
Short Term NSR	A-1 + (Stable)
Support	1
Independancy from Shareholders	A

(\*) 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 AND ITS FINANCIAL SUBSIDIARIES EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**OTHER DISCLOSURES (Continued)**

**III. SIGNIFICANT EVENTS AND MATTERS SUBSEQUENT TO BALANCE SHEET DATE THAT ARE NOT RESULTED**

As of January 8, 2021, all of the shares of the Parent Bank in Keskinöğlü Tavukçuluk ve Damız İşletmeleri Sanayi ve Ticaret AŞ, a subsidiary of the Bank, were transferred to TC Ziraat Bankası AŞ. Thus, the Parent Bank does not have any shares in the company.

On 18 May 2020, the Qatar Financial Center Regulatory Authority (QFCRA) approved the Parent Bank's license application to carry out its banking activities and allowed the Qatar branch to be operational as of 2 February 2021.

The Parent Bank has issued financing bills with various maturities between January 1, 2021 and February 18, 2021.

**SECTION SEVEN**

**INDEPENDENT AUDITORS' REPORT**

**I. INFORMATION ON INDEPENDENT AUDITORS' REPORT**

The consolidated financial statements and footnotes of the Bank and its financial subsidiaries as at and for the year ended December 31, 2020, have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ. It was noted in their audited report dated February 18, 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 as at and for the year ended December 31, 2020.

**II. EXPLANATIONS AND FOOTNOTES PREPARED BY INDEPENDENT AUDITOR**

None.

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# International Credit Ratings

<b>September 2020*</b>	<b>Fitch Ratings</b>
Long Term Foreign Currency IDR	B+
Short Term Foreign Currency	B
Foreign Currency Outlook	Negative
Long Term Local Currency	BB-
Short Term Local Currency	B
Local Currency Outlook	Negative
National Long-Term Rating	AA (tur)
National Outlook	Stable
Support Rating	4
Support Rating Floor	B
Viability Rating	b+
<b>December 2020*</b>	<b>Moody's Investors Service</b>
BCA (Baseline Credit Assessment)	caa2
Local Currency Deposit Rating	B2/NP
Local Currency Outlook	Negative
Foreign Currency Deposit Rating	B2/NP
Foreign Currency Outlook	Negative
<b>August 2018 *</b>	<b>JCR Eurasia</b>
Long Term International Foreign Currency	BBB- (Negative)
Short Term International Foreign Currency Rating	A-3 (Negative)
Long Term International Local Currency	BBB-
Short Term International Local Currency	A-3
Long Term Local Rating	AAA (Stable)
Short Term Local Rating	A-1 + (Stable)
Long Term Sponsor Support	1
Long Term Stand-Alone	A

<sup>1)</sup> The dates indicate the dates of the last rating change.

# Evaluation of The Bank's Financial Position, Profitability and Solvency

As of the end of 2020, our bank continued to serve its customers with its 936 branches and 16,748 employees.

## Sustainable Growth

Our bank increased its assets by 67% compared to the end of the previous year and raised it to TL 698,897 million. In the distribution of assets, loans had the biggest share with 60%. Our performing loans increased by 54% in this period and reached TL 422,043 million. In this period, 75% of our performing loans consisted of commercial loans and 25% were retail loans. Our commercial loans went up by 50 % and our retail loans increased by 64%. Considering the sub-distribution of our

retail loans, there was a rise of 72% in mortgage loans, 69% in general consumer loans and 15% in auto loans. As a result of the strong increases in loans, our Bank's market share reached 11% in commercial loans and 13% in retail loans. Thus, our market share of total performing loans rose up to 12%.

The ratio of our Bank's Non-Performing Loans (NPL) was 3.97% in 2020. Securities portfolio increased by 101 % to TL 146,510 million, and its share in assets was 21%.

## Deposit-Weighted Funding, Manageable Debt and Strong Equity Structure

In 2020, our main funding source was once again a deposit. In this period, our deposit increased by 65% and reached TL 414,044 million. The share of deposits in total liabilities was 59%. Within the funding structure, 81% of the deposit item, which has the most significant weight, constituted term

and 19% demand deposit. In this period, both demand deposits increased by 59% while time deposits increased by 66%. With the support of the strong deposit growth, the Bank's loan/deposit ratio realized at 102%.

Our bank continued its effectiveness in international debt capital markets with its long-term and cost-effective funding sources provided by various instruments such as syndication loans, securitization loans and subordinated loans. Our securities issued securities reached TL 45,513 million. Securities issued contributed to diversification of our Bank's funding sources and extension of the maturity structure. During this period, our Bank successfully renewed its syndication loans and provided a total of USD 5.1 billion in 2020 from abroad.

Our bank's equities increased by 41% in 2020 compared to one in the end of the previous year and reached the level of TL 46,485 million. The share of equity within liabilities was 7%.

## Distribution of Assets (%)

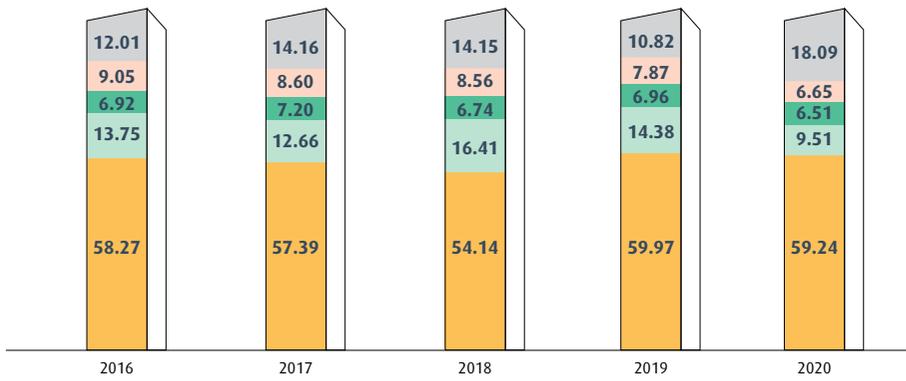
- Other Assets
- Performing Loans
- Securities Portfolio
- Cash and Receivables



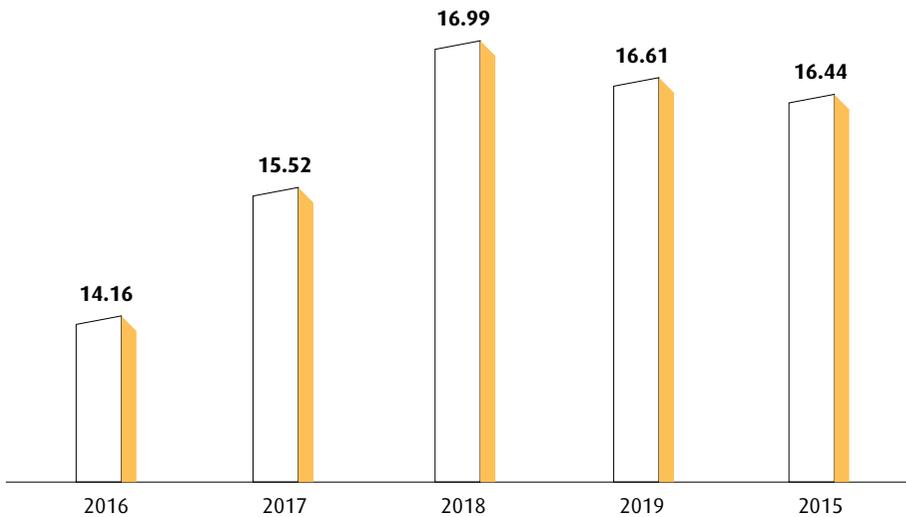
\*The dates refer to the last rating changes.

**Distribution of Liabilities (%)**

- Deposits
- Securities Issued
- Funds Borrowed\*
- Shareholders' Equity
- Other Liabilities



\* Subordinated Loans are included.

**Capital Adequacy Ratio (%)****Evaluation of Profitability**

Our Bank's net profit for the period was TL 5,010 million in 2020. In the same period, interest revenues reached TL 47,264 million, interest expenses reached TL 23,376 million and net interest income reached TL 19,887 million. Compared to the previous period, net interest income increased by 53%, while interest income interest expense coverage ratio was 173%.

In this period, our Bank's net fee and commission income decreased by 15% compared to the end of the previous year and reached TL 3,395 million.

At the end of 2020, our Bank's average return on equity was 12.60%, and average return on assets was 0.90%.

**Solvency**

In 2020, VakıfBank maintained its solvency by keeping the share of interest-bearing assets in total assets at 86%. Maintaining its growth in loans without compromising on risk control, our Bank's capital adequacy ratio was 16.44% above the legal. The long-term evolution of the capital adequacy ratio is shown in the graph below.

It is estimated that the economy of our country will grow by 5% in 2021 and inflation will decrease to 9.4%. It is expected that the CBRT will start interest rate cuts in line with the improvement in inflation in the second half of the year. In line with these expectations, VakıfBank will continue to its sustainable growth in 2021; by increasing the number of customers and product range, by using potential growth opportunities at domestic and abroad

## Annex 1: Loan Agreements with International Financial Institutions

ANNEX 1: LOAN AGREEMENTS WITH INTERNATIONAL FINANCIAL INSTITUTIONS				
Term	Institution	Project/Credit Name	Amount	Agreement Date
2010	EBRD (European Bank for Development and Reconstruction)	TurSEFF I (Turkey Sustainable Energy Finance I)	USD 60 million	May 2010
	World Bank	SME II (Access to Finance for SMEs II)	USD 200 million	July 2010
	EIB (European Investment Bank)	GACF I (Greater Anatolia Credit Facilities I)	EUR 50 million	October 2010
2011	EBRD (European Bank for Development and Reconstruction)	MidSEFF (Turkey Mid-size Sustainable Energy Financing Facility)	USD 100 million	May 2011
	EIB (European Investment Bank)	GACF II (Greater Anatolia Credit Facilities II)	EUR 50 million	December 2011
		Climate Change Project	EUR 75 million	December 2011
2012	EBRD (European Bank for Development and Reconstruction)	TurAFF I (Turkey Agribusiness SME Financing Facility)	USD 25 million	August 2012
	EIB (European Investment Bank)	Financing of SME and Medium Sized Companies I	EUR 200 million	December 2012
2013	World Bank	Energy Efficiency Project	USD 67 million	May 2013
	EBRD (European Bank for Development and Reconstruction)	TurSEFF II	USD 80 million	May 2013
		TurSEFF II	EUR 50 million	July 2013
	EIB (European Investment Bank)	GACF I (Greater Anatolia Credit Facilities I) Loan Extension	EUR 25 million	December 2013
		Municipal Infrastructure Projects Financing (Municipal Loan)	EUR 100 million	December 2013
	KfW (German Development Bank)	MSME I (Micro, Small and Medium Enterprises Loan I)	EUR 100 million	October 2013
	2014	EIB (European Investment Bank)	Financing of SME and Medium Sized Companies II-A	EUR 100 million
EBRD (European Bank for Development and Reconstruction)		TurAFF II	EUR 75 million	November 2014
		WIB (Women in Business Facility)	EUR 25 million	December 2014
2015	KfW (German Development Bank)	Micro, Small and Medium Enterprises Loan II (MSME II)	EUR 200 million	June 2015
	EIB (European Investment Bank)	Financing of SME and Medium Sized Companies II-B	EUR 100 million	May 2015 Scores
	EIB (European Investment Bank)	GACF II (Greater Anatolia Credit Facilities II) Loan Extension-I	EUR 25 million	December 2015
2016	EBRD (European Bank for Development and Reconstruction)	Women in Business Facility (Financial Support Program for Women's Business)	EUR 25 million	April 2016 Scores
		Agri Funding (Turkey Agribusiness SME Financing Facility)	EUR 25 million	April 2016 Scores
	EIB (European Investment Bank)	Supplementary Loan SME B (As known before: Municipal Loan)	EUR 100 million	May 2016 Scores
	EBRD (European Bank for Development and Reconstruction)	TurSEFF II-Extension (Turkey Sustainable Energy Financing)	USD 55 million	September 2016
		TurSEFF III (Turkey Sustainable Energy Financing)	USD 55 million	September 2016
	EIB (European Investment Bank)	GACF II (Greater Anatolia Credit Facilities II) Loan Extension-II	EUR 50 million	December 2016
2017	AFD (French Development Agency)	Financing of SME and Medium Sized Companies III/A	EUR 100 million	December 2016
		Agriculture and Rural Development Loan	EUR 80 million	November 2017
2020	World Bank	Emergency Company Support Project	USD 250 million	September 2020
2020	AFD (French Development Agency)	Green Home Financing Loan	EUR 200 million	December 2020

## Annex 2: Five-Year Summary Financial Information

<b>ASSETS (TL Thousand)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Cash and Banks *	28,255,619	42,184,754	37,273,082	42,356,563	95,961,458
Securities Portfolio	25,999,793	30,316,048	49,054,049	73,016,285	146,510,383
Loans	146,618,992	182,932,228	221,606,750	274,776,822	422,043,159
Commercial Loans	105,581,895	134,979,672	170,194,709	209,295,237	314,674,689
Retail Loans	41,037,097	47,952,556	51,412,041	65,481,585	107,368,470
Non-Performing Loans	6,413,503	7,638,206	10,800,157	17,314,228	17,444,257
Credit-Impaired (Stage III)	5,320,120	6,598,819	8,019,949	12,181,535	13,307,249
Affiliates and Subsidiaries	2,096,602	2,563,016	3,051,217	2,801,276	5,045,540
Tangible Fixed Assets	2,637,742	2,729,756	4,186,187	7,678,270	6,081,856
Other Assets	5,837,774	8,806,521	16,244,589	17,125,571	27,398,203
<b>Total Assets</b>	<b>212,539,905</b>	<b>270,571,710</b>	<b>331,355,641</b>	<b>419,425,553</b>	<b>698,897,118</b>

\*Receivables from Financial Markets are included.

<b>LIABILITIES (TL Thousand)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Deposits	123,838,377	155,277,122	179,407,907	251,530,899	414,043,543
Term Deposits	99,404,340	125,159,851	143,326,141	200,837,273	333,507,221
Demand Deposits	24,434,037	30,117,271	36,081,766	50,693,626	80,536,322
Money Markets	12,895,334	22,270,837	28,723,737	24,946,375	99,051,464
Loans Received	24,193,770	28,307,621	41,349,836	41,078,550	46,986,798
Subordinated Loans	5,031,213	5,935,969	13,022,023	19,245,453	19,458,798
Securities Issued	14,707,745	19,485,098	22,347,064	29,176,369	45,512,967
Provisions	3,224,092	3,412,482	2,271,359	2,209,804	2,972,407
Shareholders' Equity	19,238,711	23,257,818	28,350,190	33,026,273	46,484,658
Paid-in capital	2,500,000	2,500,000	2,500,000	2,500,000	3,905,622
Profit / Loss	2,703,042	3,723,383	4,725,138	2,802,291	5,911,327
Profit /Loss in the Previous Year	0	0	570,816	0	900,871
Profit/Loss	2,703,042	3,723,383	4,154,322	2,802,291	5,010,456
Other Liabilities	9,410,663	12,624,763	15,883,525	18,211,830	24,386,483
<b>Total Liabilities</b>	<b>212,539,905</b>	<b>270,571,710</b>	<b>331,355,641</b>	<b>419,425,553</b>	<b>698,897,118</b>

## Annex 2: Five-Year Summary Financial Information

<b>INCOME STATEMENT (TL Thousand)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Interest income	16,557,626	21,444,094	33,953,817	42,074,839	47,263,551
Interest Expenses	9,590,985	12,822,668	23,113,130	29,060,127	27,376,148
Net Interest Income	6,966,641	8,621,426	10,840,687	13,014,712	19,887,403
Net Fees and Commissions	980,883	1,330,665	2,293,210	3,978,688	3,395,062
Dividend Income	91,753	93,561	129,624	50,939	167,839
Trading Income (Net)	379,677	19,128	417,655	-3,183,137	53,761
Foreign Exchange Income (Net)	104,136	145,084	225,980	599,443	-2,604,485
Other Operating Income	954,031	1,673,529	2,003,613	4,035,254	6,273,122
Total Operating Income	9,477,121	11,883,393	15,910,769	18,495,899	27,172,702
Operating expenses	1,488,861	1,768,758	2,191,782	2,837,255	3,334,128
Provision for Loans and Other Receivables	2,246,514	2,787,533	4,883,505	8,264,699	11,769,618
Other Operating Expenses	2,346,222	2,651,970	3,681,555	3,781,362	5,629,683
Net Operating Income/Loss	3,395,524	4,675,132	5,153,927	3,612,583	6,439,273
<b>Net Profit/Loss</b>	<b>2,703,042</b>	<b>3,723,383</b>	<b>4,154,322</b>	<b>2,802,291</b>	<b>5,010,456</b>

<b>INDICATOR RATIOS (%)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Securities / Total Assets	12.23	11.20	14.80	17.41	20.96
Loans / Total Assets	68.98	67.61	66.88	65.51	60.39
Loans / Deposits	118.40	117.81	123.52	109.24	101.93
Retail Loans / Loans	27.99	26.21	23.20	23.83	25.44
Commercial Loans / Loans	72.01	73.79	76.80	76.17	74.56
NPL Ratio	4.19	4.01	4.65	5.93	3.97
Deposits / Total Liabilities	58.27	57.39	54.14	59.97	59.24
Demand Deposits / Total Deposits	19.73	19.40	20.11	20.15	19.45
Shareholders' Equity / Total Liabilities	9.05	8.60	8.56	7.87	6.65
Loans Borrowed / Total Liabilities	11.38	10.46	12.48	9.79	6.72
Capital Adequacy Ratio	14.16	15.52	16.99	16.61	16.44
Average Return on Assets	1.37	1.54	1.38	0.75	0.90
Average Return on Equity	15.01	17.52	16.10	9.13	12.60

<b>MARKET SHARES (%)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Securities Portfolio	7.40	7.55	10.27	11.05	14.33
Loans	8.45	8.72	9.26	10.35	11.80
Commercial Loans	8.03	8.38	9.00	10.10	11.42
Retail Loans	9.77	9.82	10.20	11,20	13.08
Non-Performing Loans	11.03	11.94	11.17	11.48	11.43
Deposits	8.52	9.08	8.81	9.80	11.98
Term Deposits	8.58	9.29	8.95	10.39	14.32
Demand Deposits	8.27	8.29	8.31	7.99	7.15
Gross Loans *	7.15	6.83	8.69	9.34	8.47
Guarantees and Sureties	7.32	7.71	8.35	9.49	10.10
Total Assets	7.78	8.31	8.57	9.34	11.45
Shareholders' Equity	6.41	6.48	6.72	6.71	7.75
Net Profit / Losses	7.20	7.65	7.68	5.71	8.56

\*Subordinated Loans Included.

## Annex 3: Environmental Performance Indicators

<b>Carbon Emissions (ton CO<sub>2</sub>e) ✓</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Scope 1	12.985	12.156	15.534	12.750
Scope 2	3.803	3.613	32.637*	23.976
Scope 3	6.672	5.929	5.241	3.703
Scope 1 + 2	16.788	15.769	48.171*	36.726
Scope 1 and 2 emissions per Closed Surface Area (m <sup>2</sup> /kg CO <sub>2</sub> e)	25.0	25.7	77.9*	60.73
<i>*The increase in emissions in 2019 is due to quit on renewable energy consumption by "Private Purchasing Agreement."</i>				
<b>Energy Consumption (GJ) ✓</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Electric Energy (Renewable Energy and Grid)	245.059	271.123	252.843	247.136
Natural gas	81.554	68.444	77.936	90.606
Lignite	1.598	666	497	580
Diesel	97.600	100.774	98.942	78.938
Heating Oil	245	113	235	284
Gasoline	2.506	978	378	3.476
<b>Other Environmental Performance Data ✓</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Water Consumption ** (megaliter)	224,104	240,727	234,228	204,479
Recycled Waste (tons)	446	418	448	342
Paper Consumption (ton)	660	485	469	383

Scope 1, scope 2 and scope 3 carbon emissions are calculated in accordance with ISO 14064-3 and with the operational control principle within the framework of the "GHG Protocol Corporate Accounting and Reporting Standard." In calculation of Scope 3 Emissions, employee commuting, air travel, paper consumption, tap water, drinking water, waste oil, paper waste disposal, courier/post at the all relevant locations of the Bank during the reporting period are included.

\*\* Our branches receive water from the network, and it is assumed that the same amount of water is discharged.

For the detailed information, please refer to "Basic Definitions and Scope of Reporting" in "Annex 5: 2020 Integrated Annual Reporting Guidelines."

## Annex 4: Social Performance Indicators

ANNEX 4: SOCIAL PERFORMANCE INDICATORS								
	2017		2018		2019		2020	
Number of Employees by Gender and Location	Female	Male	Female	Male	Female	Male	Female	Male
Turkey	8,250	7,800	8,557	8,164	8,541	8,249	8,458	8,249
Abroad	22	25	19	27	19	26	19	22
<b>Total (by Gender)</b>	<b>8,272</b>	<b>7,825</b>	<b>8,576</b>	<b>8,191</b>	<b>8,560</b>	<b>8,275</b>	<b>8,477</b>	<b>8,271</b>
<b>Total</b>	<b>16,097</b>		<b>16,767</b>		<b>16,835</b>		<b>16,748</b>	

	2017		2018		2019		2020	
Number of Employees by Employment Type	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Number of Employees ✓	16.097	-	16.762	5	16.657	178	16.547	201
<b>Total</b>	<b>16,097</b>		<b>16,767</b>		<b>16,835</b>		<b>16,748</b>	

	2017		2018		2019		2020	
Number of Employees by Gender and Age	Female	Male	Female	Male	Female	Male	Female	Male
Over 50	22	256	45	270	58	344	82	414
Between 30-50	5,551	5,594	6,391	6,116	6,901	6,344	7,206	6,568
Under 30	2,699	1,975	2,140	1,805	1,601	1,587	1,189	1,289
<b>Total (by Gender)</b>	<b>8,272</b>	<b>7,825</b>	<b>8,576</b>	<b>8,191</b>	<b>8,560</b>	<b>8,275</b>	<b>8,477</b>	<b>8,271</b>
<b>Total</b>	<b>16,097</b>		<b>16,767</b>		<b>16,835</b>		<b>16,748</b>	

	2017		2018		2019		2020	
Number of Newly- Recruited Employees by Gender and Age	Female	Male	Female	Male	Female	Male	Female	Male
Over 50	1	4	-	-	-	4	0	0
Between 30-50	18	106	218	251	27	45	7	34
Under 30	358	704	402	484	207	332	114	215
<b>Total (by Gender)</b>	<b>377</b>	<b>814</b>	<b>620</b>	<b>735</b>	<b>234</b>	<b>381</b>	<b>121</b>	<b>249</b>
<b>Total</b>	<b>1.191</b>		<b>1.355</b>		<b>615</b>		<b>370</b>	

✓ It has been subjected to limited assurance by the Independent Audit Firm.

## Annex 4: Social Performance Indicators

	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Number of Subcontractor's Employees*</b>								
Number of Employees	1,672	2,281	1,542	2,169	941	2,660	1,576	2,125
<b>Total</b>	<b>3,953</b>		<b>3,711</b>		<b>3,601</b>		<b>3,701</b>	

\*Security Officers are also included in the number of subcontractors.

	2017	2018	2019	2020
<b>Employee Turnover *</b>				
Employee Turnover Rate ✓	2.18	2.23	1.87	1.65

\* Number of employees leaving by resignation and termination of the Employment Contract are considered.

	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Parental Leave</b>								
Number of Employees Benefited from Parental Leave	780	550	760	563	691	597	637	549
Number of Employees Returned to Work After Parental Leave ✓	480	550	760	563	691	597	637	549
Number of Employees Working After 12 Months of Parental Leave					688	594	636	545

	2017	2018	2019	2020
<b>Training Hours</b>				
Total Hours of Training ✓	670,832	987,688	986,605	786,577
Average Training Hours per Employee ✓	41.7	58.9	58.6	46.97

	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Number of Employees in Managerial Roles (Manager and Higher Level) * ✓</b>								
Under 30	-	-	-	-	-	-	-	-
Between 30-50	346	734	333	759	309	757	294	742
Over 50	5	136	14	144	25	165	30	200
Total (By Gender)	351	870	347	903	334	922	324	942
<b>Total</b>	<b>1,221</b>		<b>1,250</b>		<b>1,256</b>		<b>1,266</b>	

\* The employees in managerial roles include CEO, Executive Vice President, Chief Legal Advisor, Senior Vice President, Manager, Regional Manager, Assistant Chief Legal Advisor, New York Branch General Manager, Manager, New York Branch Manager, Legal Advisor.

	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
<b>Board of Directors by Gender and Age</b>								
Under 30	0	0	0	0	0	0	0	0
Between 30-50	1	1	1	1	1	0	1	1
Over 50	0	6	0	7	0	8	0	7
Total (By Gender)	1	7	1	8	1	8	1	8
<b>Total</b>	<b>8</b>		<b>9</b>		<b>9</b>		<b>9</b>	

✓ It has been subjected to limited assurance by the Independent Audit Firm.

Number of Employees with Disabilities by Gender	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of Disabled Employees ✓	104	240	110	248	105	237	104	232
<b>Total</b>	<b>344</b>		<b>358</b>		<b>342</b>		<b>336</b>	

Unionization	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
Unionized	7,505	6,260	7,771	6,540	7,768	6,613	7,682	6,584
Non-Unionized	767	1,565	805	1,651	792	1,662	795	1,687
<b>Total (By Gender)</b>	<b>8,272</b>	<b>7,825</b>	<b>8,576</b>	<b>8,191</b>	<b>8,560</b>	<b>8,275</b>	<b>8,477</b>	<b>8,271</b>
<b>Total</b>	<b>16,097</b>		<b>16,767</b>		<b>16,835</b>		<b>16,748</b>	

Number of Employees by Seniority	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
Between 0-5 Years	2,574	2,894	2,033	2,822	1,870	2,695	1,551	2,295
Between 5-10 Years	3,333	2,476	3,917	2,625	3,757	2,598	3,607	2,604
10 Years and Above	2,365	2,455	2,626	2,744	2,933	2,982	3,319	3,372
<b>Total (By Gender)</b>	<b>8,272</b>	<b>7,825</b>	<b>8,576</b>	<b>8,191</b>	<b>8,560</b>	<b>8,275</b>	<b>8,477</b>	<b>8,271</b>
<b>Total</b>	<b>16,097</b>		<b>16,767</b>		<b>16,835</b>		<b>16,748</b>	

Occupational Health and Safety ✓	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of Employees	8,272	7,825	8,576	8,191	8,560	8,275	8,477	8,271
Number of Accidents	0	1	7	2	9	2	9	5
Number of Fatalities	0	0	0	0	0	0	0	1
Number of Occupational Diseases	0	0	0	0	0	0	0	0
Number of Absenteeism Days caused by Accident	0	128	71	96	211	7	164	48
Number of Absenteeism Days*	5,102	38,999	63,150	52,585	59,772	47,095	142,554	97,300
Injury Rate (IR)**	0,006		0,054		0,066		0,083	
Occupational Disease Rate (ODR)	0		0		0		0	
Lost Day Rate***	0,003		0,004		0,01		0,005	
Absenteeism Rate****	1,10		2,81		2,59		5,74	

\* Except annual leave, paid leave, unpaid leave; all leaves in the scope of education, administrative, excuse, health, union are included in the calculations.

\*\* Injury Rate (IR) = [(Number of Accidents) / (Total Annual Working Hours)] x 200,000

\*\*\* Lost day rate = [(Total Absenteeism Day caused by Accident) / (Total Annual Working Days)] x 100

\*\*\*\* Absenteeism rate = [(Total Absenteeism\*) / (Total Annual Working Hours)] x 100 Calculated with formulas above.

The average number of employees during the reporting period is taken into account in calculating the total annual working hours.

Subcontractors	2017		2018		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of Subcontractors' Employees	1,672	2,281	1,542	2,169	941	2,660	1,576	2,125
Number of Accidents	6	12	16	9	12	5	5	1
Number of Fatalities	0	0	0	0	0	0	0	0
Number of Occupational Diseases	0	0	0	0	0	0	0	0
Number of Absenteeism Days caused by Accident	30	62	68	19	16	40	20	2
Number of Absenteeism Days	1	60	2,220	782	7,018	1,126	39,177	22,298
Injury Rate (IR)*	0.439		0.647		0.454		0.154	
Occupational Disease Rate (ODR)	0		0		0		0	
Lost Day Rate**	0.009		0.009		0.0063		0.0024	
Absenteeism Rate***	0.01		0.32		0.92		6.67	

\* Injury Rate (IR) = [(Number of accidents) / (Total Annual Working Hours)] x 200,000

\*\* Lost day rate = [(Total Absenteeism Day caused by Accident) / (Total Annual Working Days)] x 100

\*\*\* Absenteeism rate = [(Total Absenteeism) / (Total Annual Working Hours)] x 100 Calculated with formulas above

For detailed information, please see "Key Definitions and Reporting Scope" in "Annex 5: Reporting Guidelines for Integrated Annual Report 2020"

✓ It has been subjected to limited assurance by the Independent Audit Firm.

# Annex 5: Reporting Guidelines for Integrated Annual Report 2020

## VakıfBank 2020 Integrated Annual Report – Reporting Guidance

This reporting guidance (“Guidance”) provides information on the data preparation and reporting methodologies of indicators within the scope of the independent audit in the 2020 VakıfBank (“Bank”) Integrated Annual Report. These indicators include **financial and operational indicators** (total loans amount extended to SMEs, number of renewable energy projects financed by the Bank and the amount of financing provided, increase in the number of digital banking customers), **social indicators** (ratio of female employees, number of employees in managing bodies (Manager and Higher Level), ratio of female employees that returned to work after parental leave, filling rate of top positions with internal promotion, employee turnover rate, number of disabled employees, average training hours per employee, total training hours, ratio of online trainings in total trainings, occupational health and safety), **environmental indicators** (energy consumption, other environmental performance data, carbon emissions). It is the responsibility of the Bank’s management to ensure that appropriate procedures are in place to prepare the indicators mentioned above in line with, in all material respects, the Guidance.

The data included in this guideline is for the FY 20 (1 January – 31 December 2020), fiscal year ended December 31, 2020, and as detailed in the “Key Definitions and Reporting Scope” section comprises only the relevant operations in the Turkey and in the World that are the responsibility of the Bank by excluding information about group companies, affiliates and subcontractors.

## General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation – to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting – to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

## Key Definitions and Reporting Scope

For the purpose of this report, the Bank defines:

Type	Indicator	Scope
Financial and Operational Indicators	Total loans amount extended to SMEs	This indicator means the remaining principal amount of the Bank's commercial loans extended to SMEs during the reporting period and calculated by the Bank's Credit Reporting Department.
	Number of Renewable Energy Projects Financed by the Bank and the Amount of Financing Provided	This indicator means the number of renewable energy projects financed by the Bank and the amount of financing provided to these projects within the scope of Sustainable Energy Financing during the reporting period. In this context, Hydroelectric Power Plant (HPP), Geo-thermal Power Plant (GPP), Biomass Power Plant (BPP), Biogas Energy Plant, Solar Energy Plant (SEP) and Wind Power Plant (WPP) renewable energy projects are assessed.
	Increase in the number of Digital Banking Customers	This indicator means the increase in the number of customers using digital banking in the reporting period compared to the previous year. Digital banking includes internet and mobile banking channels. The number of digital banking customers is calculated by the Bank as the sum of customers using only internet banking, only mobile banking, and both mobile and internet banking.

Type	Indicator	Scope
Social Indicators	Ratio of female employees	This indicator only means the gender distribution of employees of the Bank (excluding subsidiaries and group companies) during the reporting period.
	Number of employees in Managing Bodies (Manager and Higher Level)	This indicator means only the distribution of employees of the Bank (except subsidiaries and group companies) in managing bodies (manager and higher level) by age groups and gender. The employees in managing bodies include General Manager, Executive Vice President, Chief Legal Advisor, Head, Assistant Head, Regional Manager, Coordinator, Assistant Chief Legal Advisor, New York Branch General Manager, Manager, New York Branch Manager, Legal Advisor.
	Ratio of Female Employees that Returned to Work After Parental Leave	It indicates the ratio of female employees who took maternity leave but did not leave the Bank in the reporting period among all female Bank employees who took maternity leave during the reporting period.
	Filling rate of top positions with internal promotion	This indicator means the rate of filling a opened position with the current Bank employee instead of the external recruitment during the reporting period. The scope of "top positions" is as described for "Managing Bodies" above. Employees who have been promoted to top positions for the first time are accounted for in this indicator.
	Employee turnover rate	This indicator means mean the ratio of those leaving the job by the resignation and termination of employment to the average number of employees. Employee turnover rate is calculated according to the following formula: $\text{Total Number of Employees Leaving from Work (Resignation and Termination of Employment)} / \text{Average Number of Employees} * 100$ ; $\text{Average Number of Employees} = (\text{Number of Employees per Semester} + \text{End of Semester Employees}) / 2$
	Number of Disabled Employees	This indicator means only the number of employees of the Bank (excluding subsidiaries and group companies) with disabilities during the reporting period.
	Average training hours per employee	This indicator only means the ratio of the total hours of in-class and e-learning training provided to employees to the total number of employees during the reporting period.
	Total training hours	This indicator only means the total hours of in-class and e-learning training provided to employees during the reporting period.
	Ratio of Online Trainings in Total Trainings	This indicator means the ratio of the online training hours provided to the Bank employees to the total training hours during the reporting period.
	Occupational health and safety	This indicator includes number of accidents, number of fatalities, number of occupational diseases, injury rate (IR), occupational disease rate (ODR), lost day rate and absenteeism rate of employees during the reporting period.

## Annex 5: Reporting Guidelines for Integrated Annual Report 2020

Type	Indicator	Scope
Environmental Indicators	<b>Energy Consumption (GJ)</b>	This indicator only means the amount of energy directly and indirectly consumed during the Bank's operations (Headquarters, Regional Directorates, Branches, Storehouses, ATMs (offsite)) at every location where the Bank performs its operations.
	Electricity consumption (kWh)	This indicator means the total purchased electricity consumption used for air conditioning, lighting, electrical equipment use and other business operations that require electricity at the all relevant locations of the Bank during the reporting period.
	Natural gas consumption (m <sup>3</sup> )	This indicator means the total purchased natural gas (volume- m <sup>3</sup> ) consumption used for heating, cooking and other business operations that require natural gas at the all relevant locations of the Bank during the reporting period.
	Lignite (kg)	This indicator means the total purchased lignite (by weight-kg) consumption used for heating at the all relevant locations of the Bank during the reporting period.
	Diesel (l)	This indicator means the total purchased diesel (volume - l) consumption used for heating, generators and company-owned cars at the all relevant locations of the Bank during the reporting period.
	Heating Oil (l)	This indicator means the total heating oil (Fuel-oil No:4) (volume - l) consumption used for heating at the all relevant locations of the Bank during the reporting period.
	Gasoline (l)	This indicator means the total purchased gasoline (volume - l) consumption used for company-owned cars at the all relevant locations of the Bank during the reporting period.
	<b>Other Environmental Performance Data</b>	
	Water consumption (m <sup>3</sup> )	This indicator means the total municipal water and dispenser size bottled water consumption (volume- m <sup>3</sup> ) during the reporting period.
	Paper consumption (ton)	This indicator means the total paper consumption (by weight - ton) used in printers at the locations where the Bank operated during the reporting period.
	Recycled paper (ton)	This indicator means the weight of recycled paper (by weight - ton) during the reporting period.
	<b>Carbon Emissions (ton CO<sub>2</sub>-e)</b>	
	Scope 1	This indicator means the emission of greenhouse gases due to the use of natural gas, lignite, diesel, heating fuel, gasoline consumption and re-frigerant and fire extinguishers at the all relevant locations of the Bank during the reporting period.
	Scope 2	This indicator means the emission of greenhouse gases due to the use of purchased electricity at the all relevant locations of the Bank during the reporting period.
Scope 3	This indicator means the emission of greenhouse gases due to the use of employee commuting - shuttle, air travel, paper consumption, tap water, drinking water, waste oil, paper waste disposal, courier/post at the all relevant locations of the Bank during the reporting period.	
Scope 1 and 2 emissions per m <sup>2</sup> (kg CO <sub>2</sub> -e/m <sup>2</sup> )	This indicator means the ratio of Scope 1 and 2 emissions per unit closed surface area (m <sup>2</sup> ) in all relevant locations of the Bank during the reporting period.	

## 4. Data Preparation

### Social Indicators

#### Occupational Health and Safety (OHS) Indicators

The following formulas are used to calculate OHS data. The average number of employees during the re-reporting period is taken into account when calculating the total annual working hours

Injury Rate (IR) = [(Number of accidents) / (Total Annual Working Hours)] x 200,000

Occupational disease rate (ODR) = [(Number of occupational diseases) / (Total Annual Working Hours)] x 200,000

Lost day rate = [(Total Absenteeism Day caused by Accident) / (Total Annual Working Days)] x 100

Absenteeism rate = [(Total Absenteeism\*) / (Total Annual Working Hours)] x 100

\* Annual paid leave, unpaid leave, hourly leaves and maternity reports are excluded.

### Environmental Indicators

#### Energy Consumption

Energy consumption data are reported for electricity and primary fuel sources, which comprise natural gas, lignite, heating oil, diesel and gasoline.

Electricity and natural gas consumption data are obtained from supplier meters and service provider in-voices. Diesel consumption for the use of heating, generators, company owned cars and employee commut-ing data are obtained from service provider invoices. Lignite and heating oil consumption for the use of heating data are obtained from service provider invoices. Gasoline consumption for the use of company owned cars data are obtained from service provider invoices.

The Bank has used the following published conversion factors:

- For electricity, since the electricity supply unit is billed in kWh, 1 kWh=0.0036 GJ is used as GJ conversion factor;
- For natural gas, for the consumptions invoiced with m<sup>3</sup> supply unit, [1m<sup>3</sup>\*joule/ton (34,541,100)\*(heating value) 1.033042]\*1000 is used ; for the consumptions invoiced with kWh supply unit, firstly the consumption was converted to m<sup>3</sup> by using the conversion "k" factor 10.836911 and then the conversions mentioned above are used;
- For diesel, since the diesel supply unit is billed in lt, [1\*kg (0.83)\*1.000\* joule/ton (42,697,200)] is used as GJ conversion factor.
- For gasoline, since the gasoline supply unit is billed in lt, [1\*kg (0.735)\*1000\* joule/ton (43,534,400)] is used as GJ conversion factor.
- For heating oil, since the fuel oil supply unit is billed in lt, [1\*kg (0.9)\*1000\* joule/ton (40,185,600)] is used as GJ conversion factor.
- For lignite, since the lignite supply unit is billed in lt, [1kg\* 1.000\* 12,558,000 joule/ton (12,558,000)] is used as GJ conversion factor.
- The "k" factor and heating value used in converting natural gas consumption to m<sup>3</sup> in kWh and reference values taken from 2018 İGDAŞ are used.
- For density and conversion coefficient values "Enerji Kaynaklarının ve Enerjinin Kullanımında Verimliliğin Arttırılmasına Dair Yönetmelik (Resmi Gazete: 27 Ekim 2011/28097: Değ.03/09/2014-29108), EK-2: Enerji Kaynaklarının Alt Isıl Değerleri ve Petrol Eşdeğerine Çevrim Katsayıları" table is used.

#### Carbon Emissions

Scope 1, scope 2 and scope 3 carbon emissions are calculated in accordance with ISO 14064-3 and with the operational control principle within the framework of the "GHG Protocol Corporate Accounting and Report-ing Standard."

CO<sub>2</sub> equivalent factors for emissions CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and HFCs (refrigerant gas) were used in calculations. There was no greenhouse gas emission arising from the use of fire extinguishers in 2020. The emission fac-tors used are detailed in the table below. Global Warming Potential (GWP) coefficients were taken from In-tergovernmental Panel on Climate Change (IPCC) 5th Assessment Report. The total ton CO<sub>2</sub>-e value is cal-culated by multiplying the appropriate coefficients. Grid emission factor has been calculated by using the relevant annual data provided by Turkish Electricity Transmission Company (TEİAŞ).

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<b>Emission Factors – Scope 1 (kg/TJ)</b>	<b>CO<sub>2</sub></b>	<b>CH<sub>4</sub></b>	<b>N<sub>2</sub>O</b>	<b>Total ton CO<sub>2</sub>-e</b>
Diesel (stationary)	74,100	3	0,6	74,343
Diesel (mobile)	74,100	3.9	3,9	75,242.7
Gasoline (stationary)	69,300	3	0,6	69,543
Gasoline (mobile)	69,300	3.8	5,7	70,916.9
Natural gas	56,100	1	0,1	56,154,5
Heating Oil (Fuel oil)	77.400	3	0,6	77,643
Lignite	101,000	1	1,5	101,425,5
Refrigerant gases - R22	1,760			1,760
Refrigerant gases – R32	677			677
Refrigerant gases – R134A	1,300			1,300
Refrigerant gases - R407A	2,107			2,107
Refrigerant gases - R407C	1,774			1,774
Refrigerant gases – R410A	2,088			2,088

<b>Emission Factors – Scope 2 (kg/kWh)</b>	<b>kgCO<sub>2</sub>-e/kWh</b>
Electricity (renewables)	0.000
Turkey Electrical energy (grid)	0.4661
Bahrain Electrical energy (grid)	0.6905
Iraq Electrical energy (grid)	1.0441
US Electrical energy (grid)	0.3818

<b>Emission Factors – Scope 3</b>	<b>Unit</b>
Employee commuting - Shuttle	0.28453 kgCO <sub>2</sub> -e/km
Air Travel – short haul	0.00022422 tCO <sub>2</sub> -e/mile* passenger
Air Travel – medium haul	0.00012923 tCO <sub>2</sub> -e/mile* passenger
Air Travel – long haul	0.00015873 tCO <sub>2</sub> -e/mile*passenger
Paper consumption	939 kgCO <sub>2</sub> -e/t
Tap water use	1.052 tCO <sub>2</sub> -e/m <sup>3</sup>
Drinking water use	0.717 tCO <sub>2</sub> -e/l
Waste oil	0.021 tCO <sub>2</sub> -e/l
Paper waste disposal	0.021 tCO <sub>2</sub> -e/t
Courier/post	30 grCO <sub>2</sub> -e/piece

### 5. Restatement

The measuring and reporting of sustainability-related data inevitably involves a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Bank level.

# Annex 6: Verification Statement

## BSI Verification Statement



### Carbon Footprint Verification

#### Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:

#### **TURKIYE VAKIFLAR BANKASI T.A.O.**

Vakıfbank İstanbul Genel Müdürlüğü  
Saray Mah. Dr. Adnan Büyükdenez Cad. No:7/A-B  
Ümraniye/İstanbul, 34768, Turkey

Holds Statement No: **GHGEV 690581**

EMISSIONS DETAILS	
Reporting Year(s):	01/01/2020-31/12/2020
Date of Emissions Report:	26.02.2021
Scope 1 Emissions in tCO <sub>2</sub> e	12.750
Scope 2 Emissions in tCO <sub>2</sub> e	23.976
Scope 3 Emissions in tCO <sub>2</sub> e	n/a
Total Reported Emissions in tCO <sub>2</sub> e	36.726

FACILITY VERIFICATION DETAILS	
Proportion of facilities inspected during the verification?	100%

<b>OPINION - verified:</b>	BSI Group Eurasia Certification Services Inc has conducted a verification of the greenhouse gas data reported by <b>TURKIYE VAKIFLAR BANKASI T.A.O.</b> in its Emissions Report dated 26 <sup>th</sup> February 2021 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fairly stated.
<b>OPINION - verified with comments:</b>	As a result of verification procedures, it is the opinion of BSI with reasonable assurance that: The Greenhouse Gas Emissions for the period from 01/01/2020 to 31/12/2020 is 36.726 tonnes of CO <sub>2</sub> equivalent. (materiality level is 5%). No material misstatements in the selected base year Greenhouse Gas Emissions calculation for <b>TURKIYE VAKIFLAR BANKASI T.A.O.</b> were revealed. Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2006.

Lead Verifier :	Furkan Sadıkoğlu
Technical Reviewer :	Mehmet Kurnaz
Signed on behalf of BSI Group Eurasia Certification Services Inc :	Yanca Çalkır
Date of Opinion :	02.03.2021



## Annex 6: Verification Statement

### BSI Verification Statement



<b>ANNEX 1 - BASIS OF THE OPINION</b>	
<b>Objectives and scope of the Verification:</b>	To examine the Reporting Company's emissions report for the Greenhouse Gas (GHG) Program identified above; and to confirm compliance with the rules, principles and monitoring requirements of the Program; and to verify that the reported emissions figures and associated information are compliant and accurate to within the agreed Materiality threshold.
<b>Responsibilities:</b>	<p>The Reporting Company (named above) is solely responsible for the preparation and reporting of GHG Emission for the purposes of the GHG Program (named above); for any information and assessments that support the reported data; for determining the Company's objectives in relation to GHG information and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.</p> <p>In accordance with the verification contract dated 2020 it is the responsibility of BSI Group Eurasia Certification Services Inc to form an independent opinion, based on the examination of information and data presented in the Emissions Report, and to report that opinion to the Company. We will also report it, in our opinion (see Annex 2):</p> <ul style="list-style-type: none"> <li>• any information or assessments relating to the disclosed data are inconsistent with the verification findings; or</li> <li>• the verification team has not received all the information and explanations that it requires to conduct its examination; or</li> <li>• we become aware of additional information, the omission of which may result in the reported data being materially misstated or misleading.</li> </ul> <p>Without qualifying our Opinion, we may also report to the Company any opportunities identified for improvement in the robustness of emissions accounting and reporting processes (these are identified in Annex 2).</p>
<b>Work performed &amp; basis of the opinion:</b>	<p>We conducted our examination having regard to the reference documents 1-# outlined below. This involved examining, on a test basis, evidence to give us limited assurance that the amounts and disclosures relating to the data have been properly prepared in accordance with the rules and principles of ISO14064-1:2006, as outlined in reference documents A-# below.</p> <p>In testing the emissions accounting and reporting processes, we examined elements at both entity consolidation level and a selection of local facilities.</p> <p>This examination also involved assessing where necessary estimates and judgments made by the Company in preparing the data and considering the overall adequacy of the presentation of the data in the Emissions Report.</p>
<b>Reference documents cited :</b>	<p><b>Conduct of the Verification</b></p> <p>1) ISO 14065:2007 - Requirements for GHG validation and verification bodies for use in accreditation and other forms of recognition</p> <p>2) ISO 14064-3:2006 - Part 3 - Specification with guidance for the validation and verification of greenhouse gas assertions</p> <p><b>Rules etc of the GHG Program</b></p> <p>A) ISO14064-1:2006 - Part 1 - Specification with guidance at organizational level for quantification and reporting of greenhouse gas emissions and removals</p>



**BSI Verification Statement**

<b>ANNEX 2 - ISSUES ARISING FROM THE VERIFICATION THAT ARE REQUIRED TO BE REPORTED</b>
--

<b>A.</b>	<b>Material Non-Conformances with Reporting Protocols etc and/or Material Mis-statement</b>
A1	
A2	
A3	
A4	
A5	
A6	
A7	
A8	
A9	
A10	
<b>B.</b>	<b>Other improvement opportunities (e.g. to aid information system robustness, transparency etc.)</b>
B1	
B2	
B3	
B4	
B5	
B6	
B7	
B8	
B9	
B10	



# Annex 6: Verification Statement

## BSI Verification Statement



### Carbon Footprint Verification

#### Verification Opinion Statement-GHG Emissions Reporting

This is to verify that:

#### **TURKIYE VAKIFLAR BANKASI T.A.O.**

Vakıfbank İstanbul Genel Müdürlüğü  
Saray Mah. Dr. Adnan Buyukdeniz Cad. No:7/A-B  
Umraniye/İstanbul, 34768, Turkey

**Holds Statement No: GHGEV 690581**

EMISSIONS DETAILS	
Reporting Year(s):	01/01/2020-31/12/2020
Date of Emissions Report:	26.02.2021
Scope 1 Emissions in tCO <sub>2</sub> e	n/a
Scope 2 Emissions in tCO <sub>2</sub> e	n/a
Scope 3 Emissions in tCO <sub>2</sub> e	3.703
Total Reported Emissions in tCO <sub>2</sub> e	3.703

FACILITY VERIFICATION DETAILS	
Proportion of facilities inspected during the verification?	100%

<b>OPINION - verified:</b>	BSI Group Eurasia Certification Services Inc has conducted a verification of the greenhouse gas data reported by <i>TURKIYE VAKIFLAR BANKASI T.A.O.</i> in its Emissions Report dated 26 <sup>th</sup> February 2021 and presented above. On the basis of the verification work undertaken (see Annex 1) these data are fairly stated.
<b>OPINION - verified with comments:</b>	As a result of verification procedures, it is the opinion of BSI with limited assurance that: The Greenhouse Gas Emissions for the period from 01/01/2020 to 31/12/2020 is 3.703 tonnes of CO <sub>2</sub> equivalent (materiality level is 10%). No material misstatements in the selected base year Greenhouse Gas Emissions calculation for <i>TURKIYE VAKIFLAR BANKASI T.A.O.</i> were revealed. Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2006.

<b>Lead Verifier :</b>	<i>Furkan Sadıkoğlu</i>
<b>Technical Reviewer :</b>	<i>Mehmet Kumru</i>
<b>Signed on behalf of BSI Group Eurasia Certification Services Inc :</b>	<i>Yonca Çakır</i>
<b>Date of Opinion :</b>	<i>01.03.2021</i>



## BSI Verification Statement



<b>ANNEX 1 - BASIS OF THE OPINION</b>	
<b>Objectives and scope of the Verification:</b>	To examine the Reporting Company's emissions report for the Greenhouse Gas (GHG) Program identified above; and to confirm compliance with the rules, principles and monitoring requirements of the Program; and to verify that the reported emissions figures and associated information are compliant and accurate to within the agreed Materiality threshold.
<b>Responsibilities:</b>	<p>The Reporting Company (named above) is solely responsible for the preparation and reporting of GHG Emission for the purposes of the GHG Program (named above); for any information and assessments that support the reported data; for determining the Company's objectives in relation to GHG information and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.</p> <p>In accordance with the verification contract dated 2020 it is the responsibility of BSI Group Eurasia Certification Services Inc to form an independent opinion, based on the examination of information and data presented in the Emissions Report, and to report that opinion to the Company. We will also report if, in our opinion (see Annex 2) :</p> <ul style="list-style-type: none"> <li>• any information or assessments relating to the disclosed data are inconsistent with the verification findings; or</li> <li>• the verification team has not received all the information and explanations that it requires to conduct its examination; or</li> <li>• we become aware of additional information, the omission of which may result in the reported data being materially misstated or misleading.</li> </ul> <p>Without qualifying our Opinion, we may also report to the Company any opportunities identified for improvement in the robustness of emissions accounting and reporting processes (these are identified in Annex 2).</p>
<b>Work performed &amp; basis of the opinion:</b>	<p>We conducted our examination having regard to the reference documents 1-# outlined below. This involved examining, on a test basis, evidence to give us limited assurance that the amounts and disclosures relating to the data have been properly prepared in accordance with the rules and principles of ISO14064-1:2006, as outlined in reference documents A-# below.</p> <p>In testing the emissions accounting and reporting processes, we examined elements at both entity consolidation level and a selection of local facilities.</p> <p>This examination also involved assessing where necessary estimates and judgments made by the Company in preparing the data and considering the overall adequacy of the presentation of the data in the Emissions Report.</p>
<b>Reference documents cited :</b>	<p><b><u>Conduct of the Verification</u></b></p> <p>1) ISO 14065:2007 - Requirements for GHG validation and verification bodies for use in accreditation and other forms of recognition</p> <p>2) ISO 14064-3:2006 - Part 3 - Specification with guidance for the validation and verification of greenhouse gas assertions</p> <p><b><u>Rules etc of the GHG Program</u></b></p> <p>A) ISO14064-1:2006 - Part 1 - Specification with guidance at organizational level for quantification and reporting of greenhouse gas emissions and removals</p>



## Annex 6: Verification Statement

### BSI Verification Statement

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ANNEX 2 - ISSUES ARISING FROM THE VERIFICATION THAT ARE REQUIRED TO BE REPORTED	
<b>A.</b>	<b>Material Non-Conformances with Reporting Protocols etc and/or Material Mis-statement</b>
A1	
A2	
A3	
A4	
A5	
A6	
A7	
A8	
A9	
A10	
<b>B.</b>	<b>Other improvement opportunities (e.g. to aid information system robustness, transparency etc.)</b>
B1	
B2	
B3	
B4	
B5	
B6	
B7	
B8	
B9	
B10	



## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

CORPORATE GOVERNANCE COMPLIANCE REPORT						
COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				The General Assembly meetings are open to all stakeholders, however there was no media participation to the 66 <sup>th</sup> Ordinary General Assembly meeting.

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

CORPORATE GOVERNANCE COMPLIANCE REPORT						
COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	There is no partnership with which the Bank has mutual participation relationship so that voting is non-available regarding to this subject.
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.					X	There is no minority rights in the Bank.
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.					X	
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					In accordance with the BRSA's decision about retention profit to the shareholders with maintaining conservative policy to sustain strong bank's shareholders structure, it has been decided not to distribute profits to shareholders at the 66 <sup>th</sup> Annual General Assembly Meeting.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

<b>CORPORATE GOVERNANCE COMPLIANCE REPORT</b>						
<b>COMPLIANCE STATUS</b>	<b>YES</b>	<b>PARTIAL</b>	<b>NO</b>	<b>EXEMPTED</b>	<b>NOT APPLICABLE</b>	<b>EXPLANATION</b>
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Investor Relations part is the same in English and Turk-ish versions. Other pages on the Bank's corporate web-site can be different upon to the content.
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

CORPORATE GOVERNANCE COMPLIANCE REPORT						
COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				There is no agreement or inhouse guideline that determines the employees' participation to the management. However, the Bank applies to the opinion of internal stakeholders through surveys or various interaction channels while determining the priority investment areas in the fields like sustainability.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					

<b>CORPORATE GOVERNANCE COMPLIANCE REPORT</b>						
<b>COMPLIANCE STATUS</b>	<b>YES</b>	<b>PARTIAL</b>	<b>NO</b>	<b>EXEMPTED</b>	<b>NOT APPLICABLE</b>	<b>EXPLANATION</b>
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.6 - Job descriptions and performance criteria have been pre-pared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, men-tal, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1-The company measured its customer satisfaction, and operat-ed to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their re-quests.	X					
3.4.3 - The company complied with the quality standards with re-spect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

CORPORATE GOVERNANCE COMPLIANCE REPORT						
COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured re-sources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Losses incurred by the members of the Board of Directors as a result of their faults during their term of office, are covered under insurance. Employer's Liability Insurance 2020 policy's total value is USD 50,000,000 for each damage within the term of the policy.

<b>CORPORATE GOVERNANCE COMPLIANCE REPORT</b>						
<b>COMPLIANCE STATUS</b>	<b>YES</b>	<b>PARTIAL</b>	<b>NO</b>	<b>EXEMPTED</b>	<b>NOT APPLICABLE</b>	<b>EXPLANATION</b>
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There is no policy for this. However, among the Board members, there is one woman member.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	X					The Board members of the Bank are allowed to carry out operations within the framework of the Article 395 and 396 of Turkish Commercial Code and this matter is submitted to the information and approval of General Assembly on a separate agenda topic.

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

CORPORATE GOVERNANCE COMPLIANCE REPORT						
COMPLIANCE STATUS	YES	PARTIAL	NO	EXEMPTED	NOT APPLICABLE	EXPLANATION
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			The appointment of the Members of the Board of Directors in committees is performed by taking into consideration their knowledge and experience and in line with the relevant legislation and some Members of the Board of Directors are appointed to more than one committee. However, those members who assume duties in more than one committee ensure communication and increase cooperation opportunities among committees that work in related matters.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consulting company/counselor that the committee gets service.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					

<b>CORPORATE GOVERNANCE COMPLIANCE REPORT</b>						
<b>COMPLIANCE STATUS</b>	<b>YES</b>	<b>PARTIAL</b>	<b>NO</b>	<b>EXEMPTED</b>	<b>NOT APPLICABLE</b>	<b>EXPLANATION</b>
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			The performance of the Board of Directors is not evaluated, however performance evaluation is planned in the medium term.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The remuneration information is not published on an individual basis. Nevertheless, it is included collectively under the title of "Board of Directors Remuneration" in the section of Corporate Governance in 2020 Integrated Report within the section of Corporate Governance Compliance Report (Page 149)

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

<b>CORPORATE GOVERNANCE FACT SHEET (CGFS)</b>	
<b>1. SHAREHOLDERS</b>	
<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	Within the scope of the measures taken for the Covid 19 pandemic throughout 2020, all meetings that in-bank and face-to-face, trainings and conferences were canceled as of March. More than 150 meetings were held, most of which were via teleconference and videoconferencing, and over 300 investors / analysts were interviewed. 9 local and foreign investor conferences and webinars, and online meetings were held with over 200 local and foreign institutional investors.
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	There was no demand for private auditor in 2020.
The number of special audit requests that were accepted at the General Shareholders' Meeting	There was no demand for private auditor.
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/en/Bildirim/845584">https://www.kap.org.tr/en/Bildirim/845584</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	The documents regarding the General Assembly are published in Turkish and English at the same time. <a href="https://www.vakifbank.com.tr/genel-kurul.aspx?pageID=1042">https://www.vakifbank.com.tr/genel-kurul.aspx?pageID=1042</a> <a href="https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651">https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651</a>
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no such an action stated within the scope of the principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	Pursuant to the Article 9 and paragraph 8 of Communiqué on Corporate Governance (II-17.1), banks are not required to fulfill the provisions of this article.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	In accordance with the Article 10 and paragraph 4 of Communiqué on Corporate Governance (II-17.1), banks are not liable to this article.
The name of the section on the corporate website that demonstrates the donation policy of the company	Home Page / Investor Relations / Corporate Governance / Policies / Donation and Aid Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2785">https://www.vakifbank.com.tr/Default.aspx?pageID=2785</a>
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/en/Bildirim/426548">https://www.kap.org.tr/en/Bildirim/426548</a>
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 14
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Board members, shareholders and their representatives attended the Ordinary General Assembly meeting of 2019, held on 12 June 2020.

<b>CORPORATE GOVERNANCE FACT SHEET (CGFS)</b>	
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	-
The percentage of ownership of the largest shareholder	%37,45
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Home Page / Investor Relations / Corporate Governance / Policies / Profit Distribution Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2786">https://www.vakifbank.com.tr/Default.aspx?pageID=2786</a>
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	Home Page / Investor Relations / General Assembly / 2020 / Summary of the General Assembly Meeting <a href="https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651">https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651</a>
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	<a href="https://www.kap.org.tr/en/Bildirim/851084">https://www.kap.org.tr/en/Bildirim/851084</a>

## General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
12.06.2020	0	88.7998%	0.0004%	88.7994%	<a href="https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651">https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651</a> Home Page / Investor Relations / General Assembly / 2020 / Summary of the General Assembly Meeting	<a href="https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651">https://www.vakifbank.com.tr/general-assembly.aspx?pageID=651</a>	There was no agenda item or paragraph about related parties.	54	<a href="https://www.kap.org.tr/en/Bildirim/851084">https://www.kap.org.tr/en/Bildirim/851084</a>

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

<b>CORPORATE GOVERNANCE FACT SHEET (CGFS)</b>	
<b>2. DISCLOSURE AND TRANSPARENCY</b>	
<b>2.1. Corporate Website</b>	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	<a href="https://www.vakifbank.com.tr/investor-relations.aspx?pageID=625">https://www.vakifbank.com.tr/investor-relations.aspx?pageID=625</a> Home Page/ Investor Relations/ About Us
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	There is no real person who has directly or indirectly more than 5% of shares.
List of languages for which the website is available	Turkish and English
<b>2.2. Annual Report</b>	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	<b>2020 Integrated Annual Report</b> <b>Part: Corporate Governance Principles Compliance Report</b> <b>Chapter V- Board of Directors</b> <b>Page 146</b>
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	<b>2020 Integrated Annual Report</b> <b>Part: Committees</b> <b>Page 134-135</b>
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	<b>2020 Integrated Annual Report</b> <b>Part: Committees</b> <b>Page 134-135</b>
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	<b>2020 Integrated Annual Report</b> <b>Part: Information On Legislative Amendments That Might Affect The Bank's Activities Materially</b> <b>Page 159-161</b>
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	<b>2020 Integrated Annual Report</b> <b>Part: Other Information on Bank and its Operations</b> <b>Page 161</b>
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	<b>2020 Integrated Annual Report</b> <b>Part: Outsourced Support Services</b> <b>Page 136</b>
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	<b>2020 Integrated Annual Report</b> <b>Part: Corporate Governance Principles Compliance Report</b> <b>Page 140</b>
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	<b>2020 Integrated Annual Report</b> <b>Part: Human Capital</b> <b>Page 100-115</b>  <b>Part: Our Social and Relational Capital, Corporate Social Responsibility in VakıfBank</b> <b>Page 94-95</b>

<b>CORPORATE GOVERNANCE FACT SHEET (CGFS)</b>	
<b>3. STAKEHOLDERS</b>	
<b>3.1. Corporation's Policy on Stakeholders</b>	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Home Page / Investor Relations / Corporate Governance / Policies / Indemnity Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2790">https://www.vakifbank.com.tr/Default.aspx?pageID=2790</a>
The number of definitive convictions the company was subject to in relation to breach of employee rights	13
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Audit Board, Human Resources
The contact detail of the company alert mechanism	For external stakeholders and employees etikihbar@vakifbank.com.tr, <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2794">https://www.vakifbank.com.tr/Default.aspx?pageID=2794</a> In addition, for employees Audit Board Notice Page on Bank's intranet
<b>3.2. Supporting the Participation of the Stakeholders in the Corporation's Management</b>	
Name of the section on the corporate web-site that demonstrates the internal regulation addressing the participation of employees on management bodies	There is not.
Corporate bodies where employees are actually represented	The Bank Finance and Insurance Employees Union (BASS)
<b>3.3. Human Resources Policy</b>	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	There is not.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Home Page / Investor Relations / Corporate Governance / Policies / Human Rights and Employee Rights Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2787">https://www.vakifbank.com.tr/Default.aspx?pageID=2787</a>
Whether the company provides an employee stock ownership program	There is not an employee stock ownership program.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Home Page / Investor Relations / Corporate Governance / Policies / Human Rights and Employee Rights Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2787">https://www.vakifbank.com.tr/Default.aspx?pageID=2787</a>
The number of definitive convictions the company is subject to in relation to health and safety measures	1
<b>3.5. Ethical Rules and Social Responsibility</b>	
The name of the section on the corporate website that demonstrates the code of ethics	Home Page / Investor Relations / Corporate Governance / Policies / Ethical Principles <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2794">https://www.vakifbank.com.tr/Default.aspx?pageID=2794</a>
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	The Bank's practices in the realm of corporate social responsibility have been included in the Integrated Annual Reports of the Bank on an annual basis.
Any measures combating any kind of corruption including embezzlement and bribery	Home Page / Investor Relations / Corporate Governance / Policies / Anti-Bribery and Corruption Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2783">https://www.vakifbank.com.tr/Default.aspx?pageID=2783</a>

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

<b>CORPORATE GOVERNANCE FACT SHEET (CGFS)</b>	
<b>4. BOARD OF DIRECTORS-I</b>	
<b>4.2. Activity of the Board of Directors</b>	
Date of the last board evaluation conducted	There is no assessment.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	The distribution of duties for the Board of Directors con-sists of their duties in committees.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	Within the scope of the Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation Pro-cess, the reports about the practices of the Bank are presented to the Audit Committee every three months by the Internal Control Department.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	<b>2020 Integrated Annual Report</b> <b>Part: Assessment Of The Internal Systems and Operations</b> <b>Page 157-161</b>
Name of the Chairman	Abdülkadir Aksu
Name of the CEO	Abdi Serdar Üstünsalih
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	Pursuant to of Article 24 Paragraph 1 of the VakıfBank Articles of Incorporation, Chairman of the Board of Direc-tors cannot be elected as CEO.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	Losses incurred by the members of the Board of Direc-tors as a result of their faults during their term of office, are covered under insurance. Employer's Liability Insur-ance 2020 policy's total value is USD 50,000,000 for each damage within the term of the policy. There is no public disclosure related with this insurance.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is not.
The number and ratio of female directors within the Board of Directors	1, 11.11%

**Composition of Board of Directors**

<b>Name-Surname</b>	<b>Whether Executive Director or Not</b>	<b>Whether Independent Director or Not</b>	<b>The First Election Date To Board</b>	<b>Link To PDP Notification That Includes The Independency Declaration</b>	<b>Whether the Independent Director Considered By The Nomination Committee</b>	<b>Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not</b>	<b>Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not</b>
Abdülkadir Aksu	Non-executive	Not independent director	27.05.2019				No
Hamza Yerlikaya	Non-executive	Independent director	12.06.2020	Public Disclosure Platform Notification has not been made.	Considered	No	No
Abdi Serdar Üstünsalih	Executive	Not independent director	27.05.2019	-			Yes
Dr. Adnan Ertem	Non-executive	Not independent director	28.10.2010	-			Yes
Şahin Uğur	Non-executive	Not independent director	9.06.2017	-			Yes
Dilek Yüksel	Non-executive	Independent director	29.03.2016	Public Disclosure Platform Notification has not been made.	Considered	No	No
Serdar Tunçbilek	Non-executive	Independent director	9.06.2017	Public Disclosure Platform Notification has not been made.	Considered	No	Yes
Sadık Yakut	Non-executive	Not independent director	27.05.2019				No
Cemil Ragıp Ertem	Non-executive	Not independent director	13.08.2018	-			No

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

### CORPORATE GOVERNANCE FACT SHEET (CGFS)

#### 4. BOARD OF DIRECTORS-II

##### 4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	The Board of Directors have been gathered 76 times in 2020.
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Depending on the number of the files sent to the Board of Directors' Affairs Department, the files are given collectively a couple of days before the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	The relevant information has been given in the section of Investor Relations/ Corporate Governance/ Articles of Incorporation
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is no policy related with this. However, the shareholders allowed the Board of Directors to take other positions out of the Bank in the 2020 General Assembly pursuant to the Article 396 of Turkish Commercial Code which is titled "Non-compete Obligation."

##### 4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	<b>2020 Integrated Annual Report</b> <b>Part: Committees</b> <b>Page 134-135</b>
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/en/Bildirim/851090">https://www.kap.org.tr/en/Bildirim/851090</a>

**Composition of Board Committees-I**

<b>Names of the Board Committees</b>	<b>Name of Committees Defined as "Other" In The First Column</b>	<b>Name-Surname of Committee Members</b>	<b>Whether Committee Chair Or Not</b>	<b>Whether Board Member Or Not</b>
Audit Committee		Dilek Yüksel	No	Board member
Audit Committee		Serdar Tunçbilek	No	Board member
Other	Credit Committee	Abdi Serdar Üstünsalih	No	Board member
Other	Credit Committee	Şahin Uğur	No	Board member
Other	Credit Committee	Serdar Tunçbilek	No	Board member
Other	Credit Committee	Dilek Yüksel	No	Board member
Other	Credit Committee	Adnan Ertem	No	Board member
Corporate Governance Committee		Dilek Yüksel	Yes	Board member
Corporate Governance Committee		Sadık Yakut	No	Board member
Corporate Governance Committee		Hamza Yerlikaya	No	Board member
Corporate Governance Committee		Ali Tahan	No	Not board member
Corporate Governance Committee		Korhan Turgut	No	Not board member
Remuneration Committee		Abdülkadir Aksu	No	Board member
Remuneration Committee		Dr. Adnan Ertem	No	Board member

## Annex 7: Corporate Governance Principles Compliance Report (CRF-CGIF)

### CORPORATE GOVERNANCE FACT SHEET (CGFS)

#### 4. BOARD OF DIRECTORS-III

##### 4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Home Page / Investor Relations / Corporate Govern-ance / Committees <a href="https://www.vakifbank.com.tr/committees.aspx?pageID=2528">https://www.vakifbank.com.tr/committees.aspx?pageID=2528</a>
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Home Page / Investor Relations / Corporate Governance / Committees <a href="https://www.vakifbank.com.tr/committees.aspx?pageID=2528">https://www.vakifbank.com.tr/committees.aspx?pageID=2528</a>
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	In accordance with the Article 4.5.1 of Communiqué on Corporate Governance (II-17.1), Corporate Governance Committee carries out the duties of the Nomination Committee. <a href="https://www.vakifbank.com.tr/committees.aspx?pageID=2528">https://www.vakifbank.com.tr/committees.aspx?pageID=2528</a> Home Page / Investor Relations / Corporate Governance / Committees
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Audit Committee carries out the duties of early detection of risk committee. Home Page / Investor Relations / Corporate Governance / Committees <a href="https://www.vakifbank.com.tr/committees.aspx?pageID=2528">https://www.vakifbank.com.tr/committees.aspx?pageID=2528</a>
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Home Page / Investor Relations / Corporate Governance / Committees <a href="https://www.vakifbank.com.tr/committees.aspx?pageID=2528">https://www.vakifbank.com.tr/committees.aspx?pageID=2528</a>
<b>4.6. Financial Rights</b>	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	<b>2020 Integrated Annual Report</b> <b>Part:</b> Our Financial Capital, Evaluation Of The Bank's Financial Position, Profitability And Solvency <b>Page 490-491</b>
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Home Page / Investor Relations / Corporate Governance / Policies / Remuneration Policy <a href="https://www.vakifbank.com.tr/Default.aspx?pageID=2789">https://www.vakifbank.com.tr/Default.aspx?pageID=2789</a>
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	<b>2020 Integrated Annual Report</b> <b>Part:</b> Corporate Governance Principles Compliance Report, Monetary Benefits to the Board of Directors <b>Page 149</b>

#### Composition of Board Committees-II

Names of the Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee		100%	100%	22	67
Other	Credit Committee	80%	40%	38	293
Corporate Governance Commit-tee		100%	40%	3	6
Remuneration Committee		100%	0%	1	1

## Annex 8: UN Global Compact (UNGC) Communication on Progress (COP)

UN Global Compact (UNGC) Progress Statement		
Principles	Related Title	
HUMAN RIGHTS	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.</p>	<p>Responsible Finance Equal Opportunity and Diversity <a href="#">VakifBank Human Rights and Employee Rights Policy</a> <a href="#">VakifBank Ethical Principles Policy</a> <a href="#">Supplier Selection and Compliance Policy</a></p>
	<p>Principle 2: Businesses make sure that they are not complicit in human rights abuses.</p>	<p>Responsible Finance Equal Opportunity and Diversity <a href="#">VakifBank Human Rights and Employee Rights Policy</a> <a href="#">VakifBank Ethical Principles Policy</a> <a href="#">Supplier Selection and Compliance Policy</a></p>
	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>Remuneration and Benefits <a href="#">VakifBank Human Rights and Employee Rights Policy</a> <a href="#">VakifBank Ethical Principles Policy</a></p>
LABOUR	<p>Principle 4: the elimination of all forms of forced and compulsory labor.</p>	<p>Responsible Finance Equal Opportunity and Diversity <a href="#">VakifBank Human Rights and Employee Rights Policy</a></p>
	<p>Principle 5: the effective abolition of child labor.</p>	<p>Responsible Finance Equal Opportunity and Diversity <a href="#">VakifBank Human Rights and Employee Rights Policy</a> <a href="#">Supplier Selection and Compliance Policy</a></p>
	<p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>Equal Opportunity and Diversity <a href="#">VakifBank Human Rights and Employee Rights Policy</a> <a href="#">VakifBank Ethical Principles Policy</a></p>
ENVIRONMENT	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges.</p>	<p>Climate Change and Environmental Performance of the Bank Responsible Finance <a href="#">VakifBank Ethical Principles Policy</a> <a href="#">Environmental Policy</a> <a href="#">Sustainability Policy</a></p>
	<p>Principle 8: undertake initiatives to promote greater environmental responsibility.</p>	<p>Climate Change and Environmental Performance of the Bank Responsible Finance <a href="#">Environmental Policy</a> <a href="#">Sustainability Policy</a> <a href="#">Supplier Selection and Compliance Policy</a></p>
	<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Climate Change and Environmental Performance of the Bank <a href="#">Environmental Policy</a> <a href="#">Sustainability Policy</a></p>
ANTI-CORRUPTION	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p><a href="#">VakifBank Anti-Bribery and Anti-Corruption Policy</a> <a href="#">VakifBank Ethical Principles Policy</a> Corporate Governance Anti-Bribery and Anti-Corruption Responsible Supply Chain <a href="#">Supplier Selection and Compliance Policy</a></p>

## Annex 9: Un Women's Empowerment Principles (Un WEPs) Communication on Progress

UN WEPs Progress Report		Related Title
Principle 1	Providing High Level Institutional Leadership for Gender Equality	Equal Opportunity and Diversity Our Material Topics and Sustainability Approach
Principle 2	Treat all women and men equally at work – respect and support human rights and the Principle of Non-discrimination, Supporting these principles	Equal Opportunity and Diversity Capacity Building and Talent Management Remuneration and Benefits <a href="#">VakifBank Remuneration Policy</a> <a href="#">VakifBank Ethical Principles Policy</a>
Principle 3	Ensuring the Health, Safety and Welfare of All Female and Male Employees	Equal Opportunity and Diversity Safe Working Environment Remuneration and Benefits Ethical Principles <a href="#">Occupational Health and Safety Policy</a> <a href="#">VakifBank Ethical Principles Policy</a> <a href="#">VakifBank Human Rights and Employee Rights Policy</a>
Principle 4	Supporting Education, Training and Professional Development Opportunities for Women	Equal Opportunity and Diversity Capacity Building and Talent Management Employee Development and Trainings
Principle 5	Application of Entrepreneurial Development, Supply Chain and Marketing Methods for Women's Empowerment	Support for SMEs Equal Opportunity and Diversity <a href="#">Supplier Selection and Compliance Policy</a>
Principle 6	Promoting Equality through Community Initiatives and Advocacy Work	Equal Opportunity and Diversity Corporate Social Responsibility at VakifBank-Sports
Principle 7	Evaluating the Achievements Regarding Gender Equality and Public Reporting	Awards of the Year 2020 Equal Opportunity and Diversity Corporate Social Responsibility at VakifBank-Sport Annex-4 Social Performance Indicators

# Annex 10: Climate-Related Financial Statement Task Force (TCFD) Statement

Suggestion	Recommended Statement	Related Reference
Governance	Describe the board's oversight of climate-related risks and opportunities.	Sustainability Management <a href="#">CDP Climate Change 2020 Report</a> C1.1b
	Describe management's role in assessing and managing climate-related risks and opportunities.	Sustainability Management Our Material Topics and Sustainability Approach Climate Change and Environmental Performance of the Bank <a href="#">CDP Climate Change 2020 Report</a> C1.2 C1.2a
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium- and long-term.	Financial Capital Risks and Opportunities Intellectual Capital Risks and Opportunities Manufactured Capital Risks and Opportunities Social and Relational Capital Risks and Opportunities Human Capital Risks and Opportunities Natural Capital Risks and Opportunities <a href="#">CDP Climate Change 2020 Report</a> C2.1a C2.3 C2.3a C2.4 C2.4a
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Responsible Finance and Sustainable Development Climate Change and Environmental Performance of the Bank <a href="#">CDP Climate Change 2020 Report</a> C2.3a C2.4a C3.1 C3.1b C3.1d C3.1e C3.1f
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 ° C or lower scenario.	Climate Change and Bank Environmental Performance <a href="#">List of Companies within the Science-Based Goals initiative</a> <a href="#">CDP Climate Change 2020 Report</a> C3.1a C3.1b
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks.	Our Material Topics and Sustainability Approach Responsible Finance Climate Change and Environmental Performance of the Bank <a href="#">CDP Climate Change 2020 Report</a> C2.1 C2.2 C2.2a C-F52.2b C-F52.2c C-F52.2f
	Describe the organization's processes for managing climate-related risks.	<a href="#">Environmental Policy</a> Responsible Finance Climate Change and Environmental Performance of the Bank <a href="#">CDP Climate Change 2020 Report</a> C2.1 C2.2 C-F52.2f
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Risk Management <a href="#">CDP Climate Change 2020 Report</a> C2.1 C2.2
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Financial Capital Risks and Opportunities Intellectual Capital Risks and Opportunities Manufactured Capital Risks and Opportunities Social and Relational Capital Risks and Opportunities Human Capital Risks and Opportunities Natural Capital Risks and Opportunities Climate Change and Environmental Performance of the Bank Annex 3: Environmental Performance Indicators <a href="#">CDP Climate Change 2020 Report</a> C4.2 C4.2a C4.2b C9.1
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks.	Annex 3: Environmental Performance Indicators <a href="#">CDP Climate Change 2020 Report</a> C6.1 C6.3 C6.5 C-F514.1 C-F514.1c
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Climate Change and Environmental Performance of the Bank <a href="#">CDP Climate Change 2020 Report</a> C4.1 C4.1a C4.1b C4.2 C4.2a C4.2b

## Annex 11: GRI Content Index



We developed the content of the report in accordance with the GRI Standards 'Core' option requirements. The accuracy of the references for the General Disclosures between 102-40 and 102-49 is reviewed and confirmed within the Materiality Disclosures Service provided by GRI. The service was performed on the Turkish version of the report.

GRI STANDARD	DISCLOSURE	DIRECT REFERENCES	PAGE NUMBER
<b>GRI 101: Foundation 2016</b>			
<b>General Disclosures</b>			
	<b>Organizational Profile</b>		
	102-1	About the Report	12
	102-2	History and Ownership Structure	22
	102-3	VakıfBank in Brief	18
	102-4	Financial Inclusion	84
	102-5	Türkiye Vakıflar Bankası T.A.O. Ownership Structure and Changes	22-23
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		VakıfBank in Brief	18
	102-7	Annex 2: Five-Year Summary Financial Information	493-495
		Our Value Creation Model	46-50
<b>GRI 102: General Disclosures 2016</b>	102-8	VakıfBank in Brief	18
		Annex 4: Social Performance Indicators	497-499
	102-9	Responsible Supply Chain	96
		Outsourced Support Services	136
	102-10	Material Event Disclosures of VakıfBank	<a href="https://www.vakifbank.com.tr/ozel-durum-aciklamalari.aspx?pageID=405">https://www.vakifbank.com.tr/ozel-durum-aciklamalari.aspx?pageID=405</a>
		Climate Change and Environmental Performance of the Bank	116-119
		Sustainability Management	169
	102-11	Risk management	162-165
		Annex 10: Climate-Related Financial Statement Task Force (TCFD) Statement	531
	102-12	Memberships and Collaborations	93
	Our Material Topics and Sustainability Approach	40-42	
102-13	Memberships and Collaborations	93	

GRI STANDARD	DISCLOSURE	DIRECT REFERENCES	PAGE NUMBER	
	<b>Strategy</b>			
102-14		Message from the Chairman	14	
		Message from the CEO	16-17	
		Our Material Topics and Sustainability Approach	40-43	
		Our Value Creation Model	46-50	
		Corporate Governance	121	
		Risk management	162-165	
		Our Medium and Long-Term Goals	52-53	
	102-15		Annex 10: Climate-Related Financial Statement Task Force (TCFD) Statement	531
			Financial Capital Risks and Opportunities	55
		Intellectual Capital Risks and Opportunities	73	
		Manufactured Capital Risks and Opportunities	83	
		Social and Relational Capital Risks and Opportunities	89	
		Human Capital Risks and Opportunities	101	
		Natural Capital Risks and Opportunities	117	
	<b>Ethics and Integrity</b>			
102-16		VakifBank's Milestones	19	
102-17		ETHICAL PRINCIPLES AND ETHICS COMMISSION	135	
		Ethical Principles	166	
	<b>Governance</b>			
102-18		Corporate Governance	121	
		Committee Structures and Policies	133	
		Committees	134-135	
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		Sustainability Management	169	
102-19		Sustainability Management	169	
		SECTION V- BOARD OF DIRECTORS	146-149	
		Committees	134-135	
102-20		Committee Structures and Policies	133	
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102-21		Sustainability Management	169	
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102-21		Determining the Material Topics	44	
		Sustainability Management	169	
102-22		Our Value Creation Model	46-50	
		SECTION V- BOARD OF DIRECTORS	146-149	
102-22		Committees	134-135	
		Board of Directors	123-126	

**GRI 102: General Disclosures 2016**

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	102-31	MEETING SCHEDULE OF THE COMMITTEES AND ATTENDANCE TO MEETINGS	135
	102-32	Sustainability Management	169
		Determining the Material Topics	44
	102-33	Sustainability Management	169
		Determining the Material Topics	44
		Stakeholder Engagement and Transparency	92-93
	102-35	VakıfBank Remuneration Policy	<a href="https://www.vakifbank.com.tr/remuneration-policy.aspx?pageID=1072">https://www.vakifbank.com.tr/remuneration-policy.aspx?pageID=1072</a>
	102-38	Explanations and Notes to Consolidated Financial Statements (Continued) - Explanations on Provisions	469
Explanations and Notes to the Unconsolidated Financial Statements Dated 31 December 2020 - Explanations on Provisions		309	

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	102-40	Stakeholder Engagement and Transparency	92-93
	102-41	Remuneration and Benefits	107
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	<b>Reporting Practice</b>		
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	102-46	About the Report	12
		Our Material Topics and Sustainability Approach	40-45
	102-47	Our Material Topics and Sustainability Approach	40-45
	102-48	No reorganization made	535
	102-49	Our Sustainability Material Topics	43
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		Assessment of Financial Condition Profitability and Debt Solvency	490-491
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	103-2	Our Value Creation Model	46-50
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		Assessment of Financial Condition Profitability and Debt Solvency	490-491
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<b>GRI 201: Economic Performance 2016</b>	201-1	Directly Generated and Distributed Economic Value	57
	201-4	Explanations and Notes to the Consolidated Financial Statements Dated 31 December 2020 EXPLANATIONS ON GOVERNMENT INCENTIVES	376
		Explanations and Notes to the Unconsolidated Financial Statements Dated 31 December 2020 EXPLANATIONS ON GOVERNMENT INCENTIVES	217
	<b>Indirect Economic Impacts</b>		
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<b>Tax</b>			
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		Explanations and Notes to the Unconsolidated Financial Statements Dated 31 December 2020 - EXPLANATIONS ON TAX PRACTICES	214-216
	103-2	Explanations and Notes to the Consolidated Financial Statements Dated 31 December 2020 - EXPLANATIONS ON TAX PRACTICES	373-375
		Explanations and Notes to the Unconsolidated Financial Statements Dated 31 December 2020 - EXPLANATIONS ON TAX PRACTICES	214-216
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		Explanations and Notes to the Unconsolidated Financial Statements Dated 31 December 2020 - EXPLANATIONS ON TAX PRACTICES	214-216
<b>GRI 207: Tax 2019</b>	207-1	VakifBank acts in line with the principle of transparency in tax. In this context, you can access our Bank's tax practices from the Explanations Regarding Tax Practices in Section 3 of the Independent Audit Report. In addition, our Bank contributes to the development of the financial system by sharing its views on tax-related issues with the relevant institutions and organizations in order to support sustainable development.	538
	207-2	VakifBank acts in line with the principle of transparency in tax. In this context, you can access our Bank's tax practices from the Explanations Regarding Tax Practices in Section 3 of the Independent Audit Report. In addition, our Bank contributes to the development of the financial system by sharing its views on tax-related issues with the relevant institutions and organizations in order to support sustainable development.	538

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<b>Water and Effluents</b>			
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	103-3	Climate Change and Environmental Performance of the Bank	116-119
<b>GRI 303: Water and Effluents 2018</b>	303-3	Annex 3: Environmental Performance Indicators	496
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<b>Emissions</b>			
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<b>GRI 305: Emissions 2016</b>	305-1	Annex 3: Environmental Performance Indicators	496
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	305-5	Climate Change and Environmental Performance of the Bank Annex 3: Environmental Performance Indicators	116-119 496

<b>GRI STANDARD</b>	<b>DISCLOSURE</b>	<b>DIRECT REFERENCES</b>	<b>PAGE NUMBER</b>
<b>Environmental Compliance</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Climate Change and Environmental Performance of the Bank	116-119
	103-2	Climate Change and Environmental Performance of the Bank	116-119
	103-3	Climate Change and Environmental Performance of the Bank	116-119
<b>GRI 307: Environmental Compliance 2016</b>	307-1	During the reporting period, no penalty was imposed for non-compliance with environmental laws and regulations.	539
<b>GRI 400: Social Standards Series</b>			
<b>Employment</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Our Human Capital	100-115
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<b>GRI 401: Employment 2016</b>	401-1	Annex 4: Social Performance Indicators	497-499
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		Equal Opportunity and Diversity	106
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<b>Occupational Health and Safety</b>			
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<b>GRI 403: Occupational Health and Safety 2016</b>	403-1	Safe Working Environment	108-109
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<b>GRI 404: Training and Education 2016</b>	404-1	Employee Development and Trainings	114-115
		Annex 4: Social Performance Indicators	497-499
	404-2	Employee Development and Trainings	114-115
	404-3	Capacity Building and Talent Management	112-113
<b>Diversity and Equal Opportunity</b>			
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	103-3	Equal Opportunity and Diversity	106
		Annex 4: Social Performance Indicators	497-499
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Board of Directors	123-126
		Annex 4: Social Performance Indicators	497-499
	405-2	There is no gender discrimination in remuneration. Remuneration is based on performance	541

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<b>Non-discrimination</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Equal Opportunity and Diversity	106
	103-2	Equal Opportunity and Diversity	106
	103-3	Equal Opportunity and Diversity	106
<b>GRI 406: Non-Discrimination 2016</b>	406-1	There have been no incidents of discrimination.	542
<b>Freedom of Association and Collective Bargaining</b>			
<b>GRI 103: Management Approach 2016</b>	103-1	Remuneration and Benefits	107
	103-2	Remuneration and Benefits	107
	103-3	Remuneration and Benefits	107
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1	Annex 4: Social Performance Indicators	497-499
<b>Material Topics that are not covered by the GRI Standards</b>			
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T. Vakıflar Bankası T.A.O. Integrated Annual Report for 2020

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